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FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT

Part I.—Dayton, Ohio
Part II.—St. Louis, Mo.
Part III.—Alameda, Oakland, and San Francisco, Calif.
Part IV.—Ogden, Utah

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS[1] HOUSE OF REPRESENTATIVES

EIGHTY-SECOND CONGRESS

SECOND SESSION

AUGUST 18, 19, 20, 21, 25, AND 26, 1952

Printed for the use of the
Committee on Expenditures in the Executive Departments

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[1] Name changed to Committee on Government Operations, July 4, 1952.

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FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT—PART I

(Section 1)

(Meeting held at Headquarters, Air Matériel Command, Wright-Patterson Air Force Base, Dayton, Ohio)

MONDAY, AUGUST 18, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
Dayton, Ohio.

The Subcommittee on Intergovernmental Relations met at 9:30 a. m., Monday, August 18, 1952, at headquarters, Air Matériel Command, U. S. Air Force, Dayton, Ohio, Hon. Herbert C. Bonner (chairman) presiding.

Present: Representatives Herbert C. Bonner, chairman; (Mrs.) Cecil M. Harden, Charles B. Brownson, and Thomas B. Curtis.

Staff members present: Thomas A. Kennedy, general counsel; Ray Ward, staff director; and Herbert Roback, staff director, Reorganization Subcommittee.

Air Force members present: Hon. Roswell Gilpatric, Under Secretary of the Air Force; Lt. Gen. E. W. Rawlings, commanding general, Air Matériel Command, Wright-Patterson Air Force Base; Maj. Gen. W. H. Tunner, deputy commander; Maj. Gen. M. E. Bradley, Jr., Directorate of Procurement and Production; Maj. Gen. C. A. Brandt, Directorate of Maintenance Engineering; Brig. Gen. L. R. Parker, Directorate of Supply and Services; Brig. Gen. W. T. Hefley; Col. C. Pratt Brown, commanding officer, Wright-Patterson Air Force Base; Col. James A. Mullins; Col. Lester W. Light; Col. W. E. Carter; Col. W. B. Packard; Col. Lee W. Fulton; Col. William E. Sault; Clarence Dahm and J. N. Cunningham.

Mr. BONNER. The subcommittee will come to order.

Before proceeding with the hearings, I have the honor to introduce to you the members of the subcommittee and the fine staff. On my left is Mrs. Harden, ranking Republican member; next is Mr. Brownson of Indiana; next is Mr. Curtis of Missouri; my name is Herbert C. Bonner of North Carolina.

The staff members are: Thomas A. Kennedy, general counsel of the full committee; Ray Ward, staff director of the subcommittee; and Herbert Roback of the Reorganization Subcommittee.

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[1] Name changed to Committee on Government Operations, July 4, 1952.

It is a genuine pleasure to be able to accept the invitation of Secretary Gilpatric to come to Dayton to learn as much as possible about the operations of the Air Matériel Command. Certainly no one can contend that he knows all of the detailed workings of your great organization. Members of the Congress have a tremendous responsibility in passing legislation and in investigating the operations of government and must, of necessity, rely more or less, on general principles, and to a large extent upon the application of common sense.

We all know of our staggering national debt, which exceeds $260 billion. We know that the annual budget is in the magnitude of $80 billion. In view of world events, we know that we are and must engage in large-scale spending for years to come. We know from our own experience and from the excellent report of the President's Materials Policy Commission that we are getting to be more and more a have-not nation with respect to national resources. We know firsthand from our overseas experience that we are scouring the face of the earth to procure critical and strategic materials so vitally necessary for our defense efforts. From these facts we know that the time is coming when we will be like many of the countries in Asia, Asia Minor, and Europe which have depleted their national resources and have ceased to be important powers.

During the Eighty-first Congress we started detailed studies of supply management, particularly in the military services. We have found many evidences of overlapping and duplication in the common fields of supply. Our report No. 658 was critical of these practices, and some of the criticism was directed to the Air Force. Later we made an inspection trip around the world and saw the same wasteful practices carried on in many places. Our more recent report No. 1994, based upon some 1,500 pages of hearings, is perhaps more critical of the Air Force, since it was very evident to the subcommittee that the Air Force intended to set up its own supply service even for common items and perhaps to set up other technical service groups as well. I mean by this ordnance, chemical, engineer, signal, and so forth.

O'MAHONEY AMENDMENT TO APPROPRIATION ACT

The reports and hearings of the subcommittee were used extensively during debate in the House and in the Senate and led to some important appropriation cuts and legislative action taken in both the House and the Senate. The so-called O'Mahoney amendment (sec. 638 of the Department of Defense appropriation bill, 1953), stems in part from the information provided by this group. We feel also that recent action by the Secretary of Defense in the establishment of a logistic command in Europe, in stopping further Air Force supply expansion in Europe, and in strengthening the Munitions Board with the issuance of the new charter endorses and supports the subcommittee's work.

AIR FORCE SHOULD TAKE LEAD FOR UNIFICATION

We are all very proud of the Air Force and feel that it is a wonderful organization; and, as I recently stated, it constitutes our first line of offense and defense. We need a powerful Air Force, and we need it now. At the same time, it is the feeling of this group that the Air Force has been making a mistake in playing the game of the

Army and the Navy, insisting on being completely autonomous in supply where it is not necessary and in creating triplicating facilities for common services. If the Air Force, which is a new group and unfettered by too long tradition, would take the leadership in fighting for unification where unification is practicable, I believe that untold sums of money would be saved and that the Air Force would be undoubtedly the biggest benefactor through the savings. May I urge upon you gentlemen to consider this thought very seriously, and you can certainly rely upon the support of this subcommittee in helping you in such a cause. If, as Secretary Finletter stated, all that stands between us and a strong Air Force is money, any savings effected in supply management can be translated into air strength.

I understand that your plans are to present a briefing to the subcommittee and that we can then see what is to be seen within the available time. I would suggest that we meet again tomorrow for a question and answer period. As you know, we have decided to spend two full days at this command.

Gentlemen, the Congress of the United States has reached a limit in raising taxes, and yet the operation of the Government continues to call for more money. As we stated in our trip around the world to various groups, we have scraped the bottom of the barrel and we cannot go any farther. It is necessary that the Congress, both Democrat and Republican Members of Congress, apply themselves diligently to the subject of reducing the tax burden on the American people, and you gentlemen are just as much interested in this as any other citizens of the United States.

I don't know of any group of men that I admire higher than those who wear the uniform. It is with no spirit of criticism or a personal desire to criticize that I or any of our subcommittee have begun these inquiries. It is for what we think is in the best interest of the country. We are open to suggestions to see whether we are right or whether others are right.

SECURITY MATERIAL

Now, with respect to the proceedings, it has been the custom of this subcommittee in the past when we have held hearings that the hearings have been gone over by the various departments of the Government for the extraction of security matter. This subcommittee and the full committee and its staff are cleared for security. It was my plan this morning to hear what you may have to say and leaving out security or restricted matter. Mr. Brownson has with him his secretary who has not been cleared by the full committee or the chairman of the full committee; so I wanted to ask you, General, that question.

Mr. Brownson. Might I suggest that if there is any restricted matter, that there would be no hesitation at all about Mr. White's leaving during that portion of the testimony.

However, I think it would be very helpful, in view of the difficulties that we ran into in our trip around the world, to see that any restricted matter is clearly labeled beforehand for the record so that we may have a clear differentiation between the restricted parts and the parts of the record which we will later be able to print. After the restricted matter was taken out of our reports on the trip around the world, we find in reading the printed hearings that there are many

places where it doesn't make sense because of the censorship it had to go through. I feel sure that the Air Force officers in their testimony will be able to make this differentiation so that we can have a most coherent hearing for publication.

Mr. BONNER. I don't know, Mr. Brownson, what can be done here. What is your idea about it, Mr. Secretary and General Rawlings?

STATEMENT OF HON. ROSWELL L. GILPATRIC, UNDER SECRETARY OF THE AIR FORCE

Mr. GILPATRIC. We can adapt ourselves to any procedure the committee chooses to follow. Of course, it is easier for witnesses not to have to ask themselves questions before they answer whether their testimony would be classified or not. I myself find very often that this is difficult. At one time in my appearance before your committee I didn't know certain information was classified until I asked. But, in view of Mr. White's presence, I think we will have to do the best we can and try to indicate, as Mr. Brownson suggested, when we are going off the record, so to speak, so far as classified material is concerned and let you determine, Mr. Chairman, how you want to handle it at that point.

Mr. BONNER. I do not want to be responsible for matters in your testimony that are classified or restricted. I don't know what is the best thing to do here, Mr. Brownson.

Mr. CURTIS. Mr. Chairman, I would like to make this one statement on this subject. I believe that what Mr. Brownson is pointing out is very true. The hearings that we had overseas, when you come to read them, after all, are only of value, real value, if they are permanently printed and available to the other Members of Congress. After all, we are simply a committee of the Congress, a subcommittee of a committee, to report back our information, and if there is too much, we cannot report back on memory. Our memories usually don't serve us well enough to recall the restricted matter, the details of the restricted matter, which has been deleted. So, from the standpoint of making the hearing the most helpful to the Congress, it would be necessary, I would think, to put the burden on the various witnesses to specify when they are going into restricted matters so that it doesn't become garbled and intermingled.

I agree that that procedure probably interrupts the free flow of thought of the witnesses if they have to think that way, but the end result is what I am thinking of. We should have as much of this available to the Congress in the written hearings as possible.

Mr. BONNER. In our around the world hearings we have the original transcript. It was deleted by various departments of the national defense and then printed after the deletions. Of course, in writing the report members of the staff have had the advantage of hearing all of the testimony, and where there is any doubt in their minds they have available the original transcript that they can go back to.

Mr. BROWNSON. Mr. Chairman, don't let the problem of Mr. White interfere at all. It makes no difference to me whether he sits in on this hearing or not.

Mr. BONNER. Would it be agreeable to let Mr. White withdraw from this hearing and then go through the installation? Will that be all right?

Mr. BROWNSON. It would be agreeable.

Mr. BONNER. Thank you.

I hope you appreciate our situation, Mr. White.

(Mr. White left the hearing room at this point.)

Now, General Rawlings, we are ready to proceed if you are.

Mr. GILPATRIC. I would like, if the subcommittee is willing, to make a brief statement before General Rawlings introduces his presentation that will be made on the form of our program here.

As I said to you personally, Mr. Chairman, I am very appreciative that you have taken the time, you and the other members of this committee, to come to this command, because, as I found when I entered the Government service and as you found in your own field trip, the best way to get at the facts is to come to the place where the work is done. The individuals who are doing that work are in the best position to answer questions and give you first hand the information you seek.

HEADQUARTERS FOR AIR FORCE SUPPLY AT AMC–DAYTON

This happens to be, as you well know, the headquarters of our supply activities, and therefore the general and I are grateful that you included this in your itinerary.

Now, in view of your familiarity with the subject of supply management and your visits to other Air Force installations as well as the hearings you have held, we felt it would not be necessary to put on before you an elaborate long drawn-out program of formal presentations. So what will follow will be a brief statement by General Rawlings of the work of his command and then a series of short presentations. I don't think the whole thing will last more than an hour.

There will be statements on the work at the command in the fields of programming, distribution, maintenance, cataloguing, and determination of requirements. Then, after those statements, we are leaving it to you to tell us how you would like to proceed. In other words, you can indicate by your question or you can determine any way you choose whom you would like to talk to and where you would like to go in the command.

There are a number of officers here who are by no means familiar with this field, and rather than having a lot of people sitting around here who aren't needed at the time, we again will have to see how the questioning develops, and it may be we will bring in some other officers if your questions indicate they are needed.

AIR FORCE INSTRUCTS COMMANDS AS TO COMPLIANCE WITH SECRETARY OF DEFENSE'S DIRECTIVE OF JULY 17, 1951

Now, before General Rawlings speaks to you, I would like to apprise the committee of two things that have happened since Mr. Finletter appeared before you in June when I was away.

In the course of that hearing you indicated that in your trip to the field last fall you received the impression that a number of the officers in the Air Force outside of headquarters did not have an awareness of Mr. Lovett's directive of last July, which you remember was issued practically on the eve of your first hearings. On the contrary, you

found that a number of Air Force officers whom you questioned were proceeding on the assumption that those instructions from General Kessler were still the policy guide for the Air Force. As a result of what happened at that hearing in June, Mr. Finletter and I felt we ought to remove any questions or misunderstanding in the field. Therefore, we asked General Cook, Deputy Chief of Staff for Matériel, to send out to the principal commands affected an instruction that would leave no question on the subject. I would like to read for the record, and I will be glad to give to Mr. Kennedy copies of the instruction that went out.

These instructions went out on the 16th of July, and they went to the headquarters of the overseas commands in Europe and the Far East, Alaska, and to what we call the Northeast Command; that is, Newfoundland, Greenland, Labrador, and areas in the northeast portion of the Atlantic. The telegram from General Cook to these commands read as follows:

> With reference to assumption of supply and maintenance functions heretofore performed for the Air Force by the Army Technical Services Air Force policy will continue to be that no take over will be implemented except where it is definitely determined to be both efficient and economical and then only after approval of the necessary agreements between the Army and Air Force by the Secretary of Defense pursuant to OSD directive of July 17, 1951.

REGULATIONS UNDER O'MAHONEY AMENDMENT

The second development is the proposed issuance, as you know, of a series of regulations by the Secretary of Defense pursuant to the O'Mahoney amendment to which you referred and in the enactment of which your subcommittee had such an important part.

Now, those regulations have not been formally put out, but they have been circulated recently in draft form among the three Departments for comments. I do not have the final directive, because it has not been issued in final regulations, but I think there is one provision in the draft of the regulations which I would like to bring to the attention of the committee even though it is not yet effective. This section reads, and I quote:

> Headquarters and supply services expansion prohibited. Effective on and after September 8, 1952, until modified by directive issued by the Secretary of Defense and regardless of any prior interdepartmental agreements and without the necessity of any implementing directive described in paragraph 4-1 below, no additional independent or expanded supply facilities for common use standard stock items of supply shall be created without the prior approval of the Secretary of Defense.

ARMY TO SUPPLY AIR FORCE AS BEFORE

Therefore, I can say to you, Mr. Chairman and the members of your committee, that in the minds of the Air Force and the top officials there is no question in our minds that without prior expressed approval of the Secretary of Defense the Air Force is not going to take over from the Army in Europe, in the Far East, in Alaska, or any other part of the world any supply service or function that has been performed for it by the Army. I think it is perfectly clear that the intention of the July 17 directive is understood and that the point you raised with Mr. Finletter about the impression in the field has now been corrected.

Unless you would like to ask me any questions now, that will complete my part of it. Of course, I will be here through the rest of the hearing.

Mr. BONNER. Let me ask you this. What will be done to retract the steps and processes that have already been initiated and taken in the field?

UNIFIED COMMAND IN EUROPE

Mr. GILPATRIC. Mr. Chairman, the only actual transfers that took place at all were in the zone of interior, the Quartermaster Corps supply area, and I believe a few minor steps may have been taken in Europe; but nothing happened in the Far East except talking and planning and programming but no actual transfer and therefore there is no actual transfer to be undone. Now, in Europe, the creation of a unified command to which you referred will, I hope, straighten out the situation that exists there since the freeze of last March, because since that date and since there was a definite suspension of even planning as of last March there has been some confusion as between Army and Air Force supply officers as to what is going to happen.

Incidentally, an Air Force officer, General Crawford, will be the G–4 in the joint headquarters of the unified command in Europe.

We are hopeful after the issuance of these regulations by the Secretary of Defense that we can give the field definite guidance on where they go from here. They will have to work out between the two services in the field who is going to do what, and if it involves any transfer in any area where the Air Force may be dominant or may be the only service in use, such as North Africa, of a function of the Army, it will have to come back to headquarters to be approved by the Secretary of Defense and reported to Congress. I don't know of any specific transfer of function that actually took place in Europe. Am I wrong about that? There was a division of assets. There was an accountability worked out between the two services. But the Army has not turned over to us any supply function as yet to my knowledge.

Mr. BONNER. Had you rather have this briefing and then come to your questions and answers, or would any member of the subcommittee like to ask the Secretary questions pertaining to this phase right now?

Mr. CURTIS. I would like to ask questions on this one phase, Mr. Bonner.

Mr. BROWNSON. May I suggest we ask questions now on this one phase of the Secretary's introductory statement, and later on the balance of the briefing. It seems to me that if we held our questions until after we were able to go around the installation and asked them all at once, we might get a more coherent record.

Mr. GILPATRIC. I would like to clarify one part of my statement. Colonel McCawley tells me in the Quartermaster area there were some items turned over by the Army to the Air Force. In order to pursue this, I would like to look into it and tell you what we are going to do.

Mr. BONNER. I do think, Mr. Secretary, that you should have an opportunity to look into that, because I can understand why you cannot answer it right away. There were some things that this subcommittee saw that have actually taken place. So we probably might wait until we have this hearing and then look at the installation and think

things over and then come back for some questions. So we will proceed that way.

Mr. CURTIS. We are going to ask him questions on his principal statement right now; are we not?

Mr. BONNER. Yes, if you care to.

Mr. CURTIS. I did not want to get ahead of Mr. Brownson.

Mr. BROWNSON. I would rather defer mine until we come back from inspecting the base.

Mrs. HARDEN. I have no questions at this time.

PROGRAMING FOR AIR FORCE

Mr. CURTIS. Mr. Secretary, after we made these findings, and, of course, we had the budget then before our Appropriations Committee, we then tried to get into translating this programing and planning that we saw the Air Force doing into terms of dollars and where it was in the budget. We had a very difficult time, but I think we did pinpoint some of it. I was wondering, now that you have definitely eliminated this programing and planning, is the next step being taken to where it will be eliminated in a revised budget, because there is where we are getting down to what we are interested in.

Mr. GILPATRIC. We are not going to budget it in fiscal 1954, and I do not know of any place in our fiscal 1953 budget where we had any funds to provide for the transfer of the supply function from the Army.

Is that correct, Colonel McCawley?

Colonel MCCAWLEY. You are correct.

Mr. GILPATRIC. We have no funds, but I can say definitely, because I am now working with the Secretary, Mr. Finletter, on the fiscal 1954 budget presentation for the Office of the Secretary of Defense, that we are very specifically not going to budget.

Mr. CURTIS. For example, Mr. Secretary, in an item like warehousing, did you break it down? In your budget there was additional money for warehousing, but has the amount of money requested for warehousing been cut back to meet the present needs without this planning and programing that was going on?

WAREHOUSE FOR AIR FORCE

Mr. GILPATRIC. Mr. Curtis, one of the differences—and I hope there are not many—which we have with the committee is over the necessity for warehouses that we feel exists regardless of any take-over from the Army. The Air Force has already expanded more than 100 percent since before Korea, and we are going on further from our present strength of 95 wings to 143 wings, which is another 50-percent increase in strength before mid-1955, which is the present target date for the achievement of that goal. It will be necessary in carrying out that program to have more facilities, and we are coming back to Congress, to the Appropriations Committees, next fall with another public works program in which there will be warehousing requirements.

Mr. CURTIS. I appreciate that, Mr. Secretary, and I hope you appreciate my position. I am using warehousing as an example to illustrate our difficulty in digging into the budget this last time to find out where were the items to implement this program and planning.

Now, there must have been items in there for warehousing. You have to have it.

Mr. GILPATRIC. Yes.

BUDGET SHOULD SHOW CUT-BACK OF $20,500,000

Mr. CURTIS. Now that you are not doing it, we should show a cut-back in your expansion program.

I will grant you there will be an expansion program, but so often Congress goes ahead and issues a general directive, and then when we try to find out where we have saved any money, we don't see it in the budget that comes before us. Therefore, the budget never seems to reflect these savings that we are supposed to get by changing our overall policy.

Mr. GILPATRIC. I think you are right. I think we ought to show in our fiscal 1954 public works program where we started from and where we end up so you can get some conception of the program and our warehousing requirements.

Mr. CURTIS. I again say warehousing is simply one of the many examples in this tremendously complicated supply field. If you are going into a new program like this, you would have to ask for additional money.

Mr. GILPATRIC. We will try to do a better job of identifying the budget category in this field when we come up with our fiscal 1954 budget. We are at a point where we can place that into the budget system more readily than we could late last June when you were asking the questions, but when we didn't, I don't think we gave you the information you wanted.

(The information requested follows:)

DEPARTMENT OF THE AIR FORCE,
OFFICE OF THE UNDER SECRETARY,
Washington, September 11, 1952.

Hon. HERBERT C. BONNER,
Chairman, Intergovernmental Relations Subcommittee,
House of Representatives.

DEAR MR. CHAIRMAN: During the hearing conducted by your committee at Wright-Patterson Air Force Base on August 19, 1952, you asked me whether or not any savings could be made in the Air Force public works programs for fiscal year 1953 or for fiscal year 1954 as a result of the suspension of interservice transfers of supply responsibilities from the Army to the Air Force.

As you are well aware, the Air Force is in a period of rapid expansion: from the 48 wings we had before Korea to the 143 wings approved by the Congress. A good portion of the supplies and equipment needed to support and maintain this greatly enlarged force goes directly from factory to Air Force units; another substantial portion flows through our depot system. Obviously, the warehousing system which had been reduced to meet the relatively small requirements of the 48-wing program was not capable of fulfilling the needs of our new strength.

At the present time we have in the continental United States less than two-thirds of the warehouse space needed to handle efficiently the technical type of supplies required for our 143 wings. This estimate includes the space that would be needed for the Air Force to house common-use items. As a direct result of this shortage, many valuable goods are stored outside, and our warehouses are filled to the extent that working space and fire lanes have been reduced dangerously.

We have a program to correct this condition. Over the next 4 years we hope to provide the minimum space required by the air technical items, but not the common-use items. Even at the end of 4 years, therefore, some open storage must be resorted to. This program may seem to be unduly extended in time,

but we have adopted it so that more of our funds can be devoted to installations, the need for which is even more pressing than warehousing, and so that our requests to the Congress will be truly rock bottom.

As you can see from the foregoing, there is not much immediate hope for reductions in the Air Force's long-range warehouse requirements. We have, however, deleted some warehousing from earlier estimates of our overseas requirements: warehousing which would have been used for common-use items. As a result, our fiscal year 1954 public works program will be $20,500,000 less than it would otherwise have been.

Sincerely,

ROSWELL L. GILPATRIC.

Mr. CURTIS. Thank you, sir. That is all I have, Mr. Chairman.

Mr. BONNER. General Rawlings, will you have each of the witnesses identify himself when he gives his presentation so all of us will know who he is?

Mr. BROWNSON. Is it understood that each of the witnesses will state when his discussion concerns restricted material?

Mr. BONNER. Yes, sir.

STATEMENT OF LT. GEN. E. W. RAWLINGS, COMMANDING GENERAL, AIR MATÉRIEL COMMAND, WRIGHT-PATTERSON AIR FORCE BASE

Lieutenant General RAWLINGS. We have tried to prepare our presentation so it will be the kind of information you can use directly, and it would only be in relation to questions that might come up where we might get into restricted matter so far as we know at this point.

Mr. Chairman, members of your subcommittee, and staff members, I am General Rawlings, Commanding General of the Air Matériel Command, and I would like to say we are most happy to have you with us and to have an opportunity to tell you a little bit about our organization and operation, what we are trying to do here at the Air Matériel Command headquarters in our field organization.

We have tried to lay this presentation on such a basis that it would give you a broad understanding of our organization and procedures, and so forth, and it should consume only about an hour without questions. Then we are prepared to proceed however the subcommittee desires.

AIR MATÉRIEL COMMAND

Wright-Patterson Air Force Base is the home of the headquarters of the Air Matériel Command. We have approximately 20,000 people here engaged in that activity, and in addition to that it is the headquarters of the Wright Air Development Center, where a good deal of the research and development work of the Air Force is directed and carried out. Historically it is the home of the research and development activity of the Air Force, having started out at old McCook Field back in 1917 and eventually ending up at Wright Field here at this base.

In addition to those two activities, we have the Air Institute of Technology, which is a part of our air university system set-up for the purpose of giving education to our officers in the technical field of aeronautical engineering and the management aspect of our engineering program. That is located here primarily in order to be near to the

technicians at the laboratories, and it also gives them an opportunity to learn first-hand about our operations in that field.

We also have located here the general representatives of the Bureau of Aeronautics for the central district of the United States, under Admiral Peal, and he has approximately 100 Navy personnel who work on their engineering production problems in the aircraft procurement program of the Navy and have very close contact with us.

Then we have a small joint operation called APRA, which is under the Munitions Board and which is an operation set-up for the purpose of coordinating our technical production procurement problems between the Bureau of Aeronautics and the Air Force. The Army also has representatives on that committee. That is primarily for the purpose of handling materials critical components that are common in our aeronautical programs and that sort of thing.

We also have a fighter unit that is located at this base for its protection.

MISSION OF AIR MATÉRIEL COMMAND

The Air Matériel Command is the Air Force agency which is charged with providing logistical support to the Air Force. With the exception of subsistence and medical supplies, for which we have no supply responsibility, we are responsible to General Vandenberg and to the Secretary for getting the matériel required for effective logistic support to our Air Force combat forces world-wide. As you know, we receive a good deal of help in carrying out this mission from the Army and Navy and General Services Administration in conection with the various aspects of procurement, bulk storage, and maintenance. In the United States, the Air Matériel Command ships supplies direct to Air Force bases, or asks the Army to do so, whereas in overseas areas, we, or the Army, distribute to a theater depot which ships to Air Force bases. We prescribe supply and maintenance procedures which are mandatory upon Air Force organizations world-wide. We do not control the logistics arrangements overseas. These are arranged by the theater commander, subject to directions from the Secretary's level in Washington.

Our relationship in the Air Force structure is roughly comparable to that of the bureaus of the Navy or the technical services of the Army, with two exceptions.

AIR MATÉRIEL NOT STATUTORY

We are not a statutory agency as are the Army and Navy agencies. Secondly, we have a single supply organization within the Air Force, not several bureaus or technical services in the supply system. It is a single supply system.

In our general organization we have eight air matériel areas which are geographic in scope, and you will get a detail of them a little later. Our major depots also are at these air matériel area headquarters located at Middletown, Pa., Mobile, Ala., Ogden, Utah, Oklahoma City, Okla., Sacramento, Calif., San Antonio, Tex., San Bernardino, Calif., Warner Robins in Georgia, and the Spokane depot coming into the picture at Spokane, Wash. Currently it is being jointly used with the Strategic Air Command and as one of their new bases comes

in we will be able to utilize that with some units remaining from SAC.

To man that part of our operation on the 1st of July—actually the 30th of June is the date of the figures—we had 122,231 civilians, 14,490 enlisted personnel, and 1,930 officers, for a total of 138,651 personnel. Each of these depots was built either before the war or early in World War II. So, none of these depots was built since the last war. In addition to that, we have seven specialized depots which are specialized storage depots. They are at Rome, N .Y., Gadsden, Ala., Cheli, Calif., which is outside of Los Angeles, Mallory at Memphis, Tenn., Wilkins, Ohio, Gentile, Ohio, and Topeka, Kans. These depots are manned with 17,256 civilians and 185 officers for a total of 17,441 personnel.

These depots were all built during the last war with the exception of Rome, which was in the process of construction as part of the depot system before the war came along.

In addition to that, we have six procurement district headquarters generally located in the heart of the industrial centers of the United States. The central is located in Detroit, Mich., eastern located at New York City, midcentral located in Chicago, northeastern located in Boston, southern located at Fort Worth, Tex., and western located in Los Angeles, Calif.

The Air Matériel Command organization has been designed generally along the lines of a large business organization, in contrast to the usual military type of organization that you find in most military set-ups. In fact, this is the largest single business organization in the world, probably. The magnitude of our buying effort exceeds in dollar value the total annual buying operations of General Motors, Standard Oil of New Jersey, American Telephone & Telegraph, U. S. Steel, and the E. I. du Pont de Nemours Co.

To operate this, you can see from the figures, we have a very high proportion of civilian employees. For example, the total strength as of June 30 within the command was 193,408 personnel, and of that total 168,966 were civilians with the balance of some 25,000 being military.

GROWTH OF AIR MATÉRIEL COMMAND

Since the start of the Korean action, Air Matériel Command has undergone a very rapid growth. It has been along the lines of growth of the over-all Air Force. For example, in June of 1950 we were at a low ebb as a result of the postwar cut-back. At that time having a goal of a 48-wing program, and the aircraft industry which produces the aircraft that equip our forces was then at a level of 1,000 aircraft deliveries in the year of 1947.

The Air Matériel Command was administering at that time about 10,000 active prime contracts with a total face value of about $2 billion, and we had at that time about 103,651 military and civilian personnel.

As the Defense Establishment geared itself to meet the attack in Korea and the broader implications of the world situation, there was an increase in all parts of this establishment. Within the course of a comparatively few months, the number of contractual instruments written here increased 66 percent. The dollar value of procurements jumped to $13 billion, which was a 650-percent increase in dollars. In 1 month alone we were trying to get this program moving along to meet that initial threat. In that month, in the period between January and June of 1951 we put out 2,400 contracts with a total dollar value of

over $1 billion. Our increase in operations was the result not only of the increased bulk of material being procured, but also of a phenomenal increase in the actual number of separate inventory items required.

In 1941, at the beginning of World War II, the separate items of Air Force supply numbered about 90,000, and by the beginning of the Korean war, the number had risen to 408,000. By July of 1952, it was in the neighborhood of 700,000, or almost 800 percent increase over the comparatively simple days of 1941.

The reason for this increase lies principally in the increased complexity of the weapons we are procuring.

For example, the manufacture of electronic equipment alone in a B–36 requires more in-plant man-hours than it took to build an entire B–29 in the last war. Radar equipment, of course, requires thousands of parts, as you know.

In the midst of this tremendous increase in business came the problems that dictated the need for a careful look at our organization to see if we were set up so that we could do an efficient and proper job. So, in January of last year I appointed a committee of senior personnel here at this headquarters, from our depots, from Headquarters USAF, and a man from a management engineering firm of national reputation to take a look at our over-all organization and method of operation, and to see what we could do to improve it. That also stems from the fact that our method of operation was based upon a very high concentration of activity here in this immediate area which meant that we had a lot of people in administrative work to administer and that in case of an all-out expansion, we would have many, many more necessary under that philosophy.

This group exhaustively researched every phase of our activities. They made a very careful comparison of our activities with those of the Army, the Navy, and industry. Their conclusion was that a great part of the work being done at this headquarters could be decentralized to the various depots of the Air Matériel Command with a probable increase in effectiveness of our operations, particularly in the field of improving our calculations of requirements and speeding up our paper work.

As a result, we undertook a program of decentralization which ultimately resulted in the transfer of about 2,000 civilians and several hundred officers to our various depots in the field. Also, and probably more important at this particular time, by changing our methods of operation, in the case of future expansion, we would be able to do it without further building up of this organization here in this area.

This program is about 50-percent complete. It is going to be rough and tough, because any time you start uprooting things and moving them you have a difficult problem, but we think that we are going to make it work and improve our operation.

CONTRACTING AT AIR MATÉRIEL COMMAND

I would like to offer you a brief but significant comparison of our present program with that of World War II so that you can get a feeling of the comparability. In the fiscal year 1943, which was our largest procurement year during the war, we had a total of 26,355 personnel who were writing and administering a total of 39,913

contracts and purchase orders. In the fiscal year that was just completed, we wrote a total of 31,500 contracts and purchase orders, which were written and administered by a total of 14,165 people.

Comparing our present procurement workload with the workload at the peak of World War II, we find it is almost 80 percent of that total and it is being accomplished with 54 percent of the number of personnel we had doing that job during the last war.

The great reduction in the number of people required to carry out this particular program is mainly due to various improvements in our management techniques and procedures that have been put into effect during the war.

QUALITY CONTROL

Probably the most spectacular of these was the institution of a revised philosophy of quality control or inspection, which is the task of inspecting the material which we are procuring. In World War II, it took 14,200 inspectors to inspect items produced on these 39,913 contracts and purchase orders. Today, a total of 4,100 inspectors are inspecting and accepting items produced on the 31,500 contracts that we let last year. This means that we are doing our inspection job with about 36 percent of the number of people that would have been required on the basis of World War II standards. In a nutshell, the difference is that we have a technique now for inspecting the inspection systems of the contractors and taking statistical checks to be sure quality is there. In that way we don't have to get in and do a 100-percent job, and in that way cut down on the number of people we were required to have in the system, which under the old basis really resulted in a complete duplication between the contractor's inspection and our own. This new philosophy of inspection is therefore resulting in annual net savings at about the rate of $20 million a year.

In this particular area, the Standards Agency of the Munitions Board is watching our progress very closely and is interested in using our quality control methods as a guide for the entire Military Establishment.

COSTS OF HANDLING SUPPLIES

We have made improvements in other areas as well. By using more materials handling equipment and by applying management principles, we have reduced the cost per ton of property handled at our depots from $30.94 a ton in 1949 to $23.64 a ton handled in 1951.

During 1951 we handled about 4,900,000 tons of property, and these improved techniques have resulted in savings of almost $36 million over what the cost would have otherwise been. That is primarily through the use of equipment to handle these materials so that you can cut your labor costs.

SAVINGS FROM USE OF COMMERCIAL VEHICLES

Another major area of savings has been in the substitution of commercial type vehicles for our zone of interior installations instead of using the special military tactical vehicles that we formerly used. This substitution brought about savings of $165 million during the fiscal years of 1950 and 1951. These savings have been

brought about because the cost of commercial vehicles, since they are standard items, is about 101 million less than the special type vehicles that would have otherwise been used. In addition, the inventory requirements for spare parts are $51 million less than they would be for tactical vehicles because we buy parts from commercial sources or GSA whenever we need them.

Operating and maintenance costs also have been lowered by about $13,000,000 below what they would have been if these special tactical vehicles were used in the zone of interior.

STORAGE

Another considerable saving has been made in the use of our storage space. Within the last year, we have reviewed our properties stored inside and have moved about 155,000 tons of that material outdoors because it could safely be stored outdoors, whereas, we have some property that should go under cover. Covered storage for this property would have cost about $32 million.

In addition, by adopting improved methods for storage and by reducing our aisle space, by stacking our materials higher in warehouses, we have further reduced our requirements for new warehouse construction by some $40 million. As a specific example, prior to December 1950, we stored aircraft tires in racks, and during that month we completed tests that showed that pallet type storage was equally satisfactory and required very much less space. In this program alone we saved 180,000 square feet of storage space which would have had a construction cost of $1½ million.

I could go on with other savings of this type. We do have a very active program for management improvement and increased economy of operations. We could go into any of these details should the committee desire while you are here.

We want to work with you in your objectives and are in complete agreement with them. We have got to get more out of our resources and we want economy of operations.

We have a burning desire to increase our efficiency and to provide proper and adequate logistic support to our Air Force which is the only reason for our existence, with the least possible money. We know we make mistakes and we know there are plenty of things that are wrong. I am glad that we do know them, because if we know them we can do something about them. We want to eliminate wasteful practices which dissipate our national assets and chew up these critical materials unnecessarily, and we want to remove duplication of effort, and we certainly welcome any suggestions you may have which will further strengthen what we are doing in this direction.

We have a complicated and enormous job of providing the supplies and equipment to our fighting forces, and we want to discharge that task so that our aircraft do not sit on the ground when they ought to be out on a mission, but we want to do that without any unnecessary and costly stocks of supplies.

Mr. Chairman, with your permission, I would like to have Colonel Sault now give you a little detail on how we are organized and some of the general facts, which I think will give you a little better understanding about the command. Then we will touch briefly on how we calculate what we need to buy, how we do our buying, distribute and

maintain our property, and, finally, a brief story on our cataloging system. We are then at your service to answer questions or whatever the subcommittee desires. Thank you for this opportunity of talking with you.

STATEMENT OF COL. WILLIAM E. SAULT, CHIEF, MANAGEMENT SERVICES DIVISION OF THE COMPTROLLER

Colonel SAULT. Sir, this will be a brief description of our organization and how we are set up to do our tasks.

Mr. CURTIS. Mr. Chairman, may I ask that when we use charts that small ones are made available for the record?

Lieutenant General RAWLINGS. Sir, we will make arrangements to have copies made of all the charts, and the subcommittee can have them if you so desire. I might add that they are not elaborate. We took some charts that we have used for other purposes and some which we have made, but we can reproduce all of them with reproduction machinery, and there will be very little cost.

(The charts referred to appear on pp. 17–23.)

Mr. BONNER. You just need one copy for the record.

Mr. CURTIS. We need the charts in order to make the questions and answers of the presentation intelligible.

Colonel SAULT. As we see it, the national defense organization is made up of the three main forces, and we are interested in the matériel portion for the Air Force. This is what General Rawlings mentioned were the three major commands of the Air Force by statute, and we want to show that the Air Matériel Command is on the same line and that we all report to the Chief of Staff, but we have the responsibility for supporting the rest of the Air Force logistically.

The mission is to provide matériel support for the Air Force by determining requirements, buying what we need, storing and distributing it to the people that need it when they need it, repair and modify the equipment when required, dispose of it when obsolete or excess, and are responsible for training of military depot type organization for overseas deployment.

This is the headquarters of the Air Matériel Command which is located here at Wright-Patterson Air Force Base. The three major operations are outlined in black here, and we call them mission directorates. We have the Directorate of Supply and Services, Procurement and Production, and Directorate of Maintenance Engineering. The other activities are part of the support and the internal operation of the command. These three directorates have the following responsibilities.

Supply and Services are the people who do the computing of requirements and overseeing the prescribing of supply procedure Air Force-wide. They are also responsible for distribution.

The procurement people are the ones who do the negotiating of contracts. They do the buying, the administration of the contracts, and the quality control or the inspection function.

The Maintenance Engineering Directorate has the responsibility for maintaining, modifying, and repairing our equipment so that it goes back into stock in a serviceable condition. You will hear more details in the succeeding presentations.

Our field organization, as General Rawlings mentioned, is made up of depots procurement districts, and Wright-Patterson AFB which supports our headquarters here as well as the other tenants. He mentioned the Newark control depot which handles the overseas or European theater shipment of Air Force equipment to Air Force installation as well as for mutual defense.

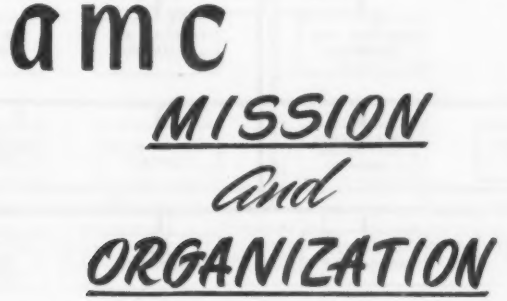
This map shows the United States broken down into geographic areas. Each one of these stars represents an Air Matériel area headquarters, and we have these major depots where we have our supply warehouses as well as our maintenance shops, and they service the entire United States.

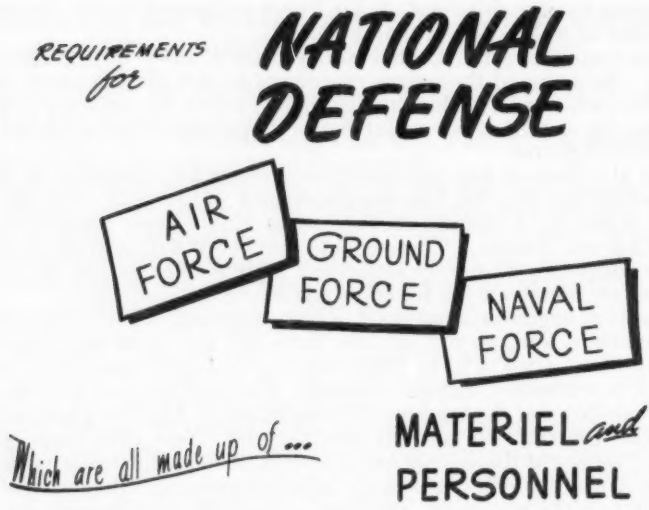
The Middletown area headquarters oversees the operation of Newark, which handles the European shipment of supplies; Sacramento oversees the San Francisco port shipment of Air Force supplies to the Far East and Alaska. These depots also check within their areas as to the adequancy of supply action and maintenance so that we can be sure we are doing our job for other Air Force installations.

This is an organizational chart of the organization at our depot area headquarters, and, as you can see, there are the three main mission directorates. (See p. 21.) There, again, the major operations are of supply, procurement, and maintenance. Our procurement districts are the break-down of the headquarters organization here for procurement where the contracts are actually administered. Now, these stars [indicating] represent the district headquarters, such as the western district at Los Angeles which oversees the administration of contracts for all contracts on the west coast, and they accomplish that through the medium of regional offices which take care of several small contractors or contracts. Then we have what we call plant representatives for major contractors, such as Boeing at Seattle. We have plant representatives who work right in the plants. They administer the contracts. This is the organization that handles that. And we have Director of Flight Test and Acceptance, Procurement Administration, Productions and Director of Quality Control. Under these districts are the regional offices and the plant representatives as required.

That briefly is the organization of the Air Matériel Command.

General RAWLINGS. May we proceed with the next presentation?





POSITION OF AMC IN USAF

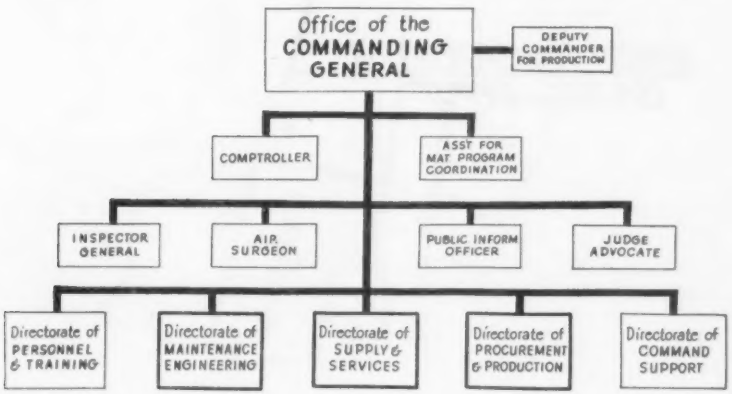
MISSION

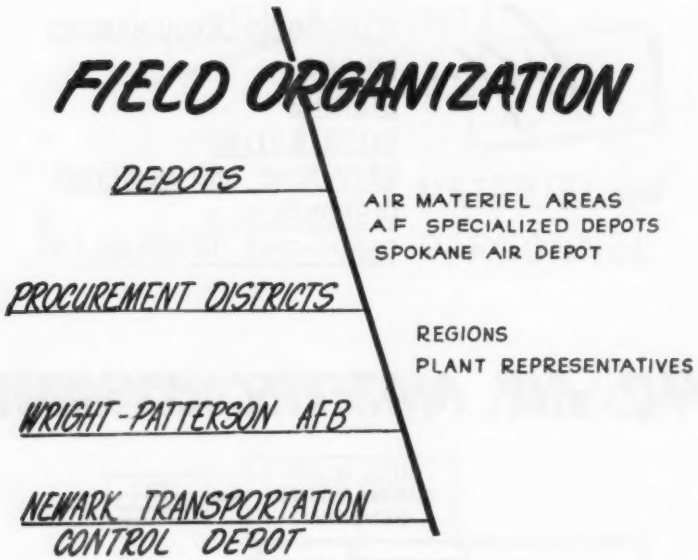
to provide *materiel* support for the Air Force

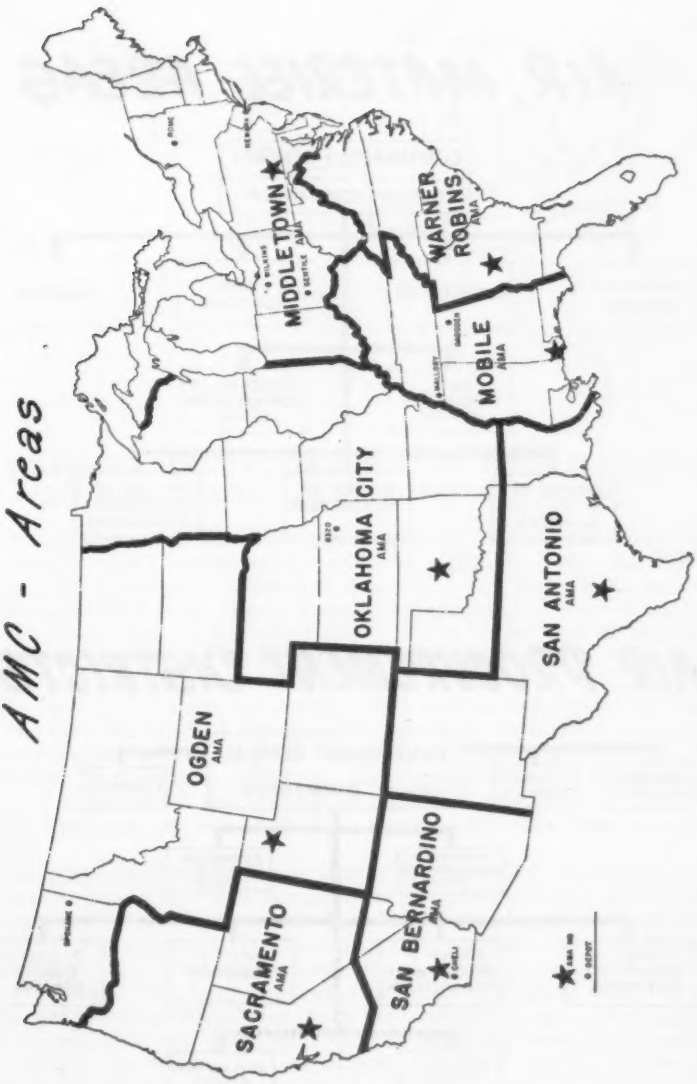
by..

- DETERMINING REQUIREMENTS
- BUYING
- STORING
- DISTRIBUTING
- REPAIRING AND MODIFYING
- DISPOSAL
- DEPOT-TYPE TRAINING

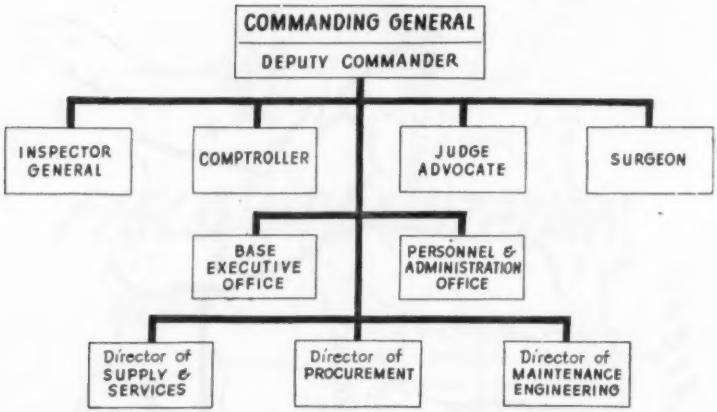
HQ AIR MATERIEL COMMAND



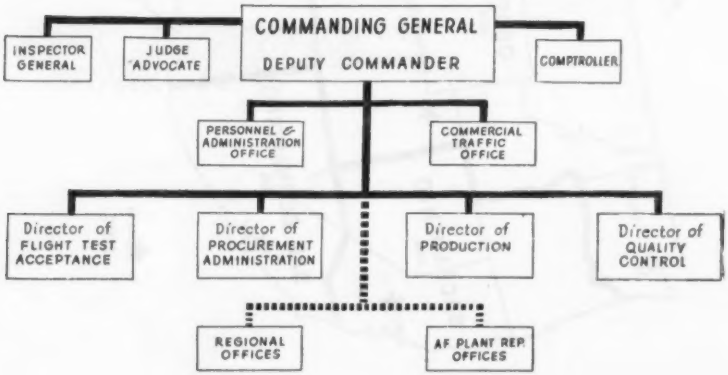

FIELD ORGANIZATION
DEPOTS
AIR MATERIEL AREAS
A F SPECIALIZED DEPOTS
SPOKANE AIR DEPOT
PROCUREMENT DISTRICTS
REGIONS
PLANT REPRESENTATIVES
WRIGHT-PATTERSON AFB
NEWARK TRANSPORTATION
CONTROL DEPOT


AMC - Areas
MIDDLETOWN
AMA
WARNER ROBINS
AMA
MOBILE
AMA
OKLAHOMA CITY
AMA
SAN ANTONIO
AMA
OGDEN
AMA
SAN BERNARDINO
AMA
SACRAMENTO
AMA
DEPOT

AIR MATERIEL AREAS



AIR PROCUREMENT DISTRICTS



STATEMENT OF COL. JAMES A. MULLINS, CHIEF, AIRCRAFT DIVISION, DIRECTORATE OF SUPPLY AND SERVICES

Colonel MULLINS. Mr. Chairman and members of the subcommittee, the subject of my discussion this morning is United States Air Force Supply Requirements, its concepts, and briefly how we go about accomplishing this function. I might state I am speaking of items of supply or equipment that are the responsibility of the Directorate of Supplies and Services in the Air Matériel Command. I will explain more fully as I go through what those items are.

We have a definition for supply requirements computations which is "the determination of the quantities of items required to support a given program in the Air Force." Air Force programs, in general, are projected 30 months in advance. The various elements which generate a requirement for individual items are contained in the Air Force program and are utilized to project individual item requirements.

The purpose of requirements computations is, first, to develop procurement quantities. The development of procurement quantities, of course, is necessary to accomplish each fiscal year's procurement and to budget and obtain funds. Secondly, to insure effective distribution. Here we not only compute requirements to obtain procurement dollars or to obtain procurement requirements for an individual item, but we also compute requirements for items for which there is no procurement requirement in order that they might be equitably distributed among the various commands. In this respect, we have priorities for certain units which get items that may be of a critical nature.

A third purpose is to develop and support funds requests.

The fourth purpose is to provide the necessary support at the lowest possible cost. By computation of individual item requirements, we can in certain cases reduce the dollar requirement for the Air Force and still obtain the same amount of support.

Next is Air Force requirement responsibility. The Air Force is responsible for the computation and initiation of procurement action for items required for Air Force support, with these exceptions. Subsistence, of course, is computed on an individual-item basis by the Office of the Quartermaster. The medical-services requirements are determined by a joint agency. And then there are items which are required to support the depot maintenance performed by other services for the Air Force. They determine the requirements and procure those specific items. The requirements responsibility of the Air Force includes both peculiar and common items, such as aeronuatical items, airborne communication items, equipment items, matériel, clothing, and then, of course, the range of items which are common to the technical services or to the Navy and the Air Force.

The Air Matériel Command's responsibility in this particular area is for all catalogued supplies and equipment except that there are certain items for which Headquarters USAF computes requirements. Prime amongst these are complete airplanes and guided missiles. At the present time Air Force headquarters is determining individual item requirements for airfield lighting, and also there are items that are peculiar to certain major commands within the Air Force. The Air Force research and development command has peculiar requirements, and they determine the procurement quantities for those individual items. Also the Air Training Command utilizes certain items which are peculiar to them alone. In addition there are items which are locally purchased at base level within the Air Force for which the Air Matériel Command has no responsibility.

In speaking of the requirements function, there are three basic elements in determining requirements for individual items. No. 1, programs. As I have mentioned, the Air Force establishes programs and projects those, generally speaking, 30 months in advance. They are broken down into the various elements which generate requirements for specific items. The second element, data, is that information which is obtained by the Air Matériel Command from the field that is necessary to determine present assets, consumption, and so forth. The third element, methodology, is merely the method by which we integrate the data and the program in order to establish individual item requirements.

Here [indicating] I have outlined the agencies responsible for each of these elements of the requirements function. Headquarters USAF is responsible for all Air Force programing. These programs are expressed in terms of flying hours, number and type of personnel, number and type of organizations, number and type of bases, number and type of aircraft, and policies which are related to the requirements function and related to each one of these programs.

Data, which we obtain from the major commands and other services as appropriate consists of consumption and inventory reports. We have a world-wide stock balance and consumption report within the Air Force which indicates inventories and consumption on a quarterly basis. Then we have inventory reports from Air Force base level, Air Force depots, and depot level within the technical services.

Equipment authorizations which are established from reports from the field reflect what is authorized to individual organizations to accomplish their task. The Air Matériel Command integrates this data with Air Force programing to project individual item requirements.

I do not want to leave the impression that the requirements function is simple. There are many variations in the program detail and data that is used for each specific item within the Air Force. The programs are so designed that individual items may be related to specific elements of a program. As an example, aircraft spare parts are related to flying hours and aircraft inventories by type, model, and series of aircraft. In this particular area there are 184 individual program elements in FY53 program. Equipment items are related to the number and type of organizations and bases to which these particular items are authorized within the Air Force.

As a matter of information, each fiscal year there are 3,000 to 4,000 items within the particular area of which I am speaking that generate about 80 percent of the total dollar procurement. Consequently, the major emphasis in programing and obtaining data and in the computations themselves is on these high-cost items within the Air Force. If we can control the requirements and distribution of those items, we definitely can obtain more Air Force per dollar.

I have an example here of one item and its relationship to a program. This [indicating] reflects the basis for requirement and budget estimate for a specific item which is a canopy pressure seal for an F–84 canopy. The unit cost is $13.59. It falls within the expendable supply category, and after it is used it loses its identity and cannot be repaired. This briefly is the formula. The past 12 months' issue of this particular item is divided by the program accomplished during that 12-month period. In this case the element of the program which generates the requirement is the number of hours flown by F–84 aircraft. This develops a consumption rate per hour for this particular item, which is multiplied by the future program for the F–84 aircraft.

In this case, 50,000 hours multiplied by the consumption rate of 0.0141 develops a requirement of 705 of this item to support the program. This particular requirement is added to authorized stock level and lead time which in this case is 675 of this particular item, which develops a total future requirement through the projected program. By deducting from this total future requirements, assets—in this case 586, including both items in inventory and on order—a procurement requirement of 794 is developed, multiplying by the unit cost, which is $13.59 gives a total procurement requirement through the program period of $10,790 for this item.

Now, I might point out that in the case of a reparable item a wear-out rate is used rather than a consumption rate. The complexity of the individual item determines the complexity of the requirements formula.

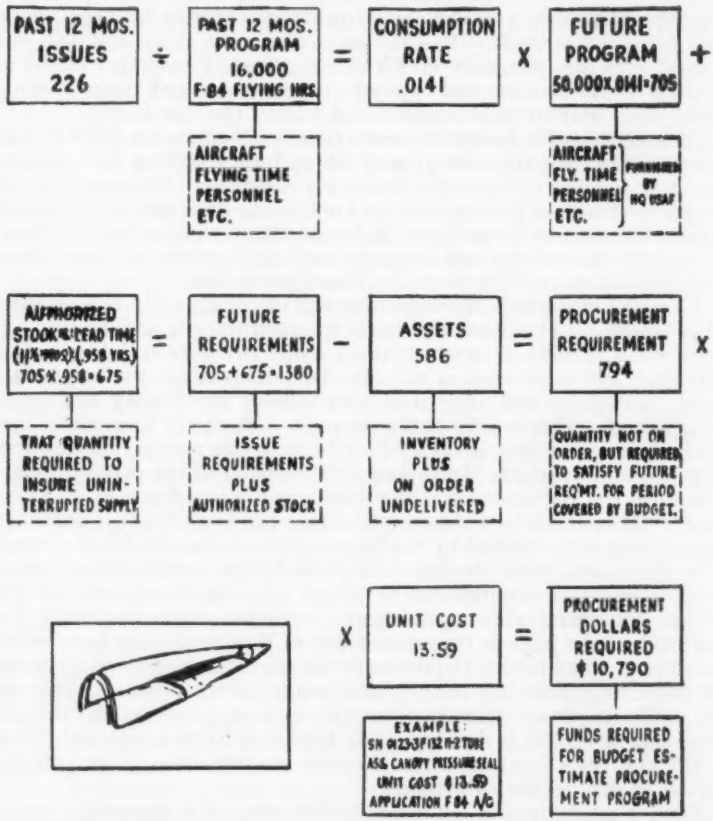
Mr. CURTIS. I was just wondering. While some of these charts are up there, I wonder if it wouldn't be appropriate to ask some questions. I have this particular one that I would like to ask.

Mr. BONNER. Go ahead, Mr. Curtis.

Mr. CURTIS. That all depends, of course, upon your past issue; does it not?

Colonel MULLINS. That is correct, sir.

Mr. CURTIS. How do you reflect any possible improvements in your usage in there, or do you try to do that, or do you just take that figure of the past usage and make that absolute? Do you follow me?


BASIS FOR REQUIREMENTS & BUDGET ESTIMATE
(MISCELLANEOUS - EXPENDABLE SUPPLIES - SPARE COMPONENTS - PARTS)
PAST 12 MOS. ISSUES 226
÷
PAST 12 MOS. PROGRAM 16,000 F-84 FLYING HRS.
=
CONSUMPTION RATE .0141
X
FUTURE PROGRAM 50,000 X .0141 = 705
+
AIRCRAFT FLYING TIME PERSONNEL ETC.
AIRCRAFT FLY. TIME PERSONNEL ETC.
FURNISHED BY HQ USAF
AUTHORIZED STOCK & LEAD TIME (1½ X 1902) (.958 YRS.) 705 X .958 = 675
=
FUTURE REQUIREMENTS 705 + 675 = 1380
−
ASSETS 586
=
PROCUREMENT REQUIREMENT 794
X
THAT QUANTITY REQUIRED TO INSURE UNINTERRUPTED SUPPLY
ISSUE REQUIREMENTS PLUS AUTHORIZED STOCK
INVENTORY PLUS ON ORDER UNDELIVERED
QUANTITY NOT ON ORDER, BUT REQUIRED TO SATISFY FUTURE REQ'MT. FOR PERIOD COVERED BY BUDGET.
X
UNIT COST 13.59
=
PROCUREMENT DOLLARS REQUIRED $ 10,790
EXAMPLE: SN 0123-5F132 H-2 TUBE ASS. CANOPY PRESSURE SEAL UNIT COST $ 13.59 APPLICATION F-84 A/C
FUNDS REQUIRED FOR BUDGET ESTIMATE PROCUREMENT PROGRAM

Colonel MULLINS. On consumption-type items the consumption rates are those latest available. We revise all of the consumption rates once annually and with that you get the very latest rate. If there is a trend of consumption that shows a downward trend, we would also adjust that in the future.

Lieutenant General RAWLINGS. I believe your question was what do we do to see if we can get further usage and life out of the item.

Mr. CURTIS. And how would it be reflected then if you did?

Lieutenant General RAWLINGS. We have a continuous program to try to improve the quality wherever it is essential that we improve it and to reduce the use of critical materials where we can do that or to reduce the cost of the item. The only way you can put that in the system is after you have the time cycle. The time cycle is such and the other factors are such that you have to do it through your consump-

tion rate. It is a high-cost item, then you are able to do something else.

Mr. CURTIS. What I am really interested in, General, is this. This is the way we get our budget and, of course, we have to do it that way. Supposing it should be true—and I am sure it is—that the handling of that particular item is such that actually you——

Lieutenant General RAWLINGS. Get twice as much service?

Mr. CURTIS. Yes; that you get twice as much service. That is right. Then where do we reflect back the savings in the budget the next time? In other words, when we find out our past 12 months' usage and we have cut it down to where we can do the same amount of flying and do it with 150 of those items, there should be reflected a saving in the budget.

Lieutenant General RAWLINGS. Let me give you an example that I think will make it a little more clear. In the case of engines, engines are high-cost items. We find that early in the life of a new model of engine you get a low utilization before overhauling. But what we do is develop on our past experience, curves of the hours between overhauling that we can expect as the engine comes along in the production cycle.

So we don't start out by saying we are going to budget for the whole life of this engine at 75 hours between overhauls. We budget on this estimated curve based on our past experience so that we will find some of our reciprocating engines which will run up to maybe 1,000 or 1,200 hours, whereas on new models of engines, in the early life—we found with jets, for example, that it was down around 10 or 12 initially. That is how we try to work it back. Of course, what happens in some cases is that you are wrong on the other side. Let us say we budgeted for 25 hours between overhauls and we found we had to overhaul them in 10, but we had budgeted on 25; so we had half enough. We have to make constant adjustments between the program elements during the operational period. The volume and magnitude of that is too great to get into a precise arrangement. With all of these variations, it is almost impossible to arrive at a precise arrangement. You try to do it on a broad basis and project your experience curve and then develop that as your experience develops. We are wrong on both sides, and we find that as we go along.

Mr. CURTIS. Thank you.

STATEMENT OF COL. LEE W. FULTON, EXECUTIVE FOR COORDINATING PROCUREMENT IN THE DIRECTORATE OF PROCUREMENT AND PRODUCTION, HEADQUARTERS, AIR MATÉRIEL COMMAND

Colonel FULTON. I am Col. Lee W. Fulton, executive for Coordinated Procurement in the Directorate of Procurement and Production, Headquarters Air Matériel Command.

Mr. Chairman, you have heard a statement as to how we determine our requirements, our item requirements. These item requirements are converted into purchase requests. Therefore, the statement I have to make to you covers the next step for the conversion of these purchase requests into the items that we require through purchase or procurement action.

AIR MATÉRIEL COMMAND SEEKS FAIR AND REASONABLE PRICE

The procurement mission of the Air Matériel Command is to contract at fair and reasonable prices with contractors qualified to deliver to the Air Force the proper quantity and quality of materials at the time and place required. The Air Force procurement policy is that the Air Force have primary responsibility for the procurement of aircraft and guided missiles and related support equipment and that supply items common to the military departments be procured for the Air Force by the activity having the major interest and the best facilities for procuring the items involved.

The basic type of matériel which is procured by the Air Matériel Command is complete aircraft, guided missiles, aircraft equipment, and related support equipment, which would cover such things as wing jacks, engine dollies, refueling equipment, and crash fire-fighting equipment.

PROCUREMENT WORK LOAD

As an indication of the procurement work load, at the close of fiscal year 1952—these are the year end figures—there were approximately 13,000 active prime Air Force contracts, 120,000 active subcontracts that resulted from these 13,000 active prime contracts, and 21,000 active contracts that were placed by the Army and Navy or the Armed Forces unified activities and were referred to the Air Force for inspection cognizance; that is, quality control in plants over which the Air Force has quality control cognizance, for a total of 154,000 basic actions. Approximately 149,000 of the above contracts necessitated quality control inspections by Air procurement district personnel. To accomplish this workload—and these again are year-end figures—we had at headquarters of the Air Matériel Command a total of 3,299 personnel broken down into 639 military and 2,660 civilian. In the Air procurement districts we had a total of 10,866 which breaks down into 755 military and 10,111 civilian for a total of 14,165.

The functional distribution of the procurement job is lined out this way: at Headquarters Air Matériel Command we institute procurement policies and procedures and exercise over-all management of the Air Force procurement job. We select the manufacturing sources, and we negotiate or advertise and award the contracts. The Air procurement district accomplish the administration of the contracts. They control the quality to see that we get what we have contracted for, and the quantity we have contracted for, and they maintain established delivery schedules through assistance to the contractors in obtaining the material, the manpower, and the facilities that they require to get the job done.

The Air Matériel Command is now decentralizing procurement in specific commodity classes to designated depots.

Mr. BROWNSON. Mr. Chairman, before the colonel gets further into this presentation, there is one question I would like to ask.

120,000 SUBCONTRACTORS

Colonel, you list 120,000 active subcontractors. Are these functions you are discussing applicable to the subcontractor, too, or do you deal only with the prime contractor?

Colonel FULTON. These are subcontractors; that is, subcontracts. To answer your question specifically, we deal with the subcontractors as well as the prime contractors. The figure 120,000 is subcontracts. That covers about 4,000, in round numbers, subcontractors, and while we deal directly with the prime contractors, we also give the same services to the subcontractors where it is required.

Mr. BROWNSON. But the point I am trying to establish is that these are figures pertaining to prime contractors.

Colonel FULTON. Yes, sir.

Mr. BROWNSON. You give the same service to the subcontractors that you do to the prime contractors?

Colonel FULTON. Yes, sir.

Mr. BROWNSON. Thank you, Colonel. That clears up the point I was interested in.

BASIS FOR PROCUREMENT

Colonel FULTON. Our procurement is basically governed by the provisions of the Armed Services Procurement Act of 1947, Public Law 413, Eightieth Congress, which is applicable to all purchases made by the Army, Navy, Air Force, Coast Guard, and National Advisory Committee for Aeronautics which are to be paid for from appropriated funds. The act adheres to formal advertising, with competitive bidding as the normal peacetime procurement method. It does, however, permit the negotiation of contracts and purchases where this is determined to be necessary in the public interest during the national emergency as declared by the President or Congress. Further, it provides for negotiation in normal times in situations where experience has proved it a superior and often necessary means of obtaining supplies and services.

SINGLE SERVICE ASSIGNMENTS

A good-sized proportion of our procurement is done under single-service assignment. This is accomplished by developing and forwarding military interdepartmental purchase requests which we issue to responsible procurement activities. In this case, it would be the Army and the Navy. For instance, the Army buys a particular commodity for all three of the services.[2]

The assignment of the procurement responsibility is accomplished by the Munitions Board. To date, 43 major commodity groups have been assigned by the Munitions Board to one of the three services for support of all of the three services.

Another form or another method by which we accomplish our procurement is through interdepartmental agreements which have been established between the Army and the Air Force or between the Navy and the Air Force. These are bilateral agreements on the basis of departmental prime interest in the development of items which are not susceptible to assignment for technical reasons, such as in the field of electronic items, where development is still progressing. It is practically impossible to develop a specific set of specifications which

[2] For list of assignments, see p. 59, Federal Supply Management (Textiles and Clothing) (ASPR Conference).

one service can provide the other and upon which they can take contractual action.

Mr. BONNER. Turn back that one sheet a minute, please, sir.

Colonel FULTON. Yes, sir.

Mr. BONNER. The 43 major commodity groups that have been assigned by the Munitions Board—excuse me. I find we have covered what I wanted to ask you.

Colonel FULTON. Another method by which we procure items that we require is through interdepartment stock transfer, where purchase orders are issued by one department for procurement of items from the stocks of another department under agreement of the providing department to furnish those items from their stocks. Under that process, we reimburse the agency that provides the items from stock on a Standard Form 1080.

Mr. BONNER. Have you got any idea how much you carry on that program?

Colonel FULTON. On this one?

Mr. BONNER. Yes, sir.

Colonel FULTON. No, sir; I can't give you an answer dollarwise on that. Perhaps Colonel Light can.

Lieutenant General RAWLINGS. Why don't we say we can develop the information if you haven't got it and furnish it later?

Mr. BONNER. I don't want to be critical at all. I just want it for information—just how far that reaches out and how much it is used.

Colonel FULTON. I am sorry, Mr. Chairman. I don't have the information available.

Mr. BONNER. Suppose we get a little statement and insert it in the hearing at this point. I would like it also to include GSA.

(The statement requested is as follows:)

1952 FISCAL YEAR STOCK TRANSFER

During fiscal year 1952, stock transfers from the Department of the Air Force to the Department of the Army and the Department of the Navy amounted to the following:

To the Department of the Army	$6,785,252.40
To the Department of the Navy	16,771,829.13
Total	23,557,081.53

Department of the Air Force accounting records do not differentiate between items supplied from stocks of the Department of the Army and Department of the Navy and items supplied by those departments from new procurements. As a result, there are no figures available at this Headquarters denoting the dollar value of stock transfers from the Army and Navy to the Air Force.

During the same period the dollar value of items furnished by the Federal supply service centers of the GSA to the Air Force amounted to $12,414,000. It should also be noted that when the dollar amount of the items procured for the Air Force through the General Services Administration Federal Schedules is included, the total business which the Air Force did during fiscal year 1952 with GSA amounts to $115,000,000.

Colonel FULTON. I have those figures on GSA. We depend upon the General Services Administration to render to us two basic services. They provide Federal supply schedules for our open-end contracts against which we can place purchase orders. Secondly, they maintain supply-service centers against which we requisition for stocks. The Air Force policy is to increase the use of GSA facilities where practicable.

REQUIREMENTS DATA GIVEN GSA

Mr. BONNER. Let me ask you something. How closely do you collaborate with GSA to inform them so that they can anticipate what to have in stock that you might need?

Colonel FULTON. As closely as we can, sir. At the present time we are working on that particuluar problem and attempting to develop a method whereby we can provide them a statement as to our requirements as far ahead as they require it to project into the future.

Mr. BONNER. To project into the future what you would have to have and that you can use?

Colonel FULTON. That is exactly what we are work on right now.

Mr. BONNER. Do you use the same formula for GSA that you used for yourselves in anticipating your needs?

Colonel FULTON. Yes, sir. We would have to do that. Of course, we would have to obtain the item if it is available—the service item, that is.

Mr. BONNER. Do you have any correspondence with them that you could insert in the record at this point to show the collaboration you have with GSA?

Colonel FULTON. Yes, sir; I think so.

Mr. BONNER. Anticipating these things that you possibly would draw from their warehouse that we could insert something on that at this point.

Colonel FULTON. Yes, sir. We have a list which was provided to Washington for use of the Interagency Task Group which is now studying the possible procurement of furniture and office equipment and supplies by GSA.

Mr. BONNER. You could furnish us at this point something we could put in the record to show just what you are doing?

Colonel FULTON. Yes, sir.

(The statement requested is as follows:)

STATEMENT ON COLLABORATION BETWEEN THE GENERAL SERVICES ADMINISTRATION AND THE DEPARTMENT OF THE AIR FORCE

The basis for the latest efforts on collaboration between the General Services Administration and the Air Force is the attached letter from Mr. Gilpatric to Mr. Larson, General Services Administrator, noting the formation of the joint USAF-GSA task group and outlining the general areas of coverage for the task group. Generally, the Air Force is utilizing, and plans to make even more extensive use of, the procurement facilities of the General Services Administration. The collaboration is proceeding along several lines.

To the extent of GSA capabilities, the Federal supply stores depots of GSA will be used as a mandatory first source for thousands of items which have and, will be coded for local purchase in the Air Force supply catalogs. There are presently about 89,000 items coded for local purchase in the Air Force catalogs and this number will be increased by at least 50,000. A substantial portion of the presently coded local purchase items are now being obtained by Air Force bases through GSA facilities. These items are listed in the GSA store stock catalogs or the Federal supply schedules.

The number of GSA procured items is being extended on a phased basis, as indicated by the attached letter to the Commanding General, Air Matériel Command, from the Assistant Deputy Chief of Staff, Matériel, USAF, instructing AMC to issue instructions making the GSA the first mandatory source for certain items in Air Force Property Class 25–b, which encompasses office supplies. In various stages of implementation are seven other Air Force classes, which will have GSA as a mandatory first source.

There are also plans for increasing the number of items on the mandatory list of the Federal Supply Schedule of the GSA. These items will be shipped directly to the bases involved, thereby avoiding the distribution costs connected with depot storage.

DEPARTMENT OF THE AIR FORCE,
OFFICE OF THE SECRETARY,
Washington, November 6, 1952.

Mr. JESS LARSON,
Administrator, General Services Administration.

DEAR MR. LARSON: As a result of the September 16, 1952, meeting between members of our respective staffs, a joint USAF–GSA task group has been organized to explore the extent to which the USAF can use the services of General Services Administration and the capability of GSA to provide the services requested by the USAF. The task group has adopted the recommendations of the joint Department of Defense-General Services Administration report to the area-of-understanding working group as the approach to its work. More specifically, the efforts of the group will be directed along the following areas of coverage:

(*a*) USAF supply catalogs will be screened for common use commercial type items to be coded "local purchase" and procured from GSA Stores Stock Catalog or Federal Supply Schedules.

(*b*) GSA will list additional local-purchase items in the Stores Stock Catalog and Federal Supply Schedules.

(*c*) USAF will use GSA services to effect central procurement of certain specific items on a military interdepartmental purchase request basis.

There are many problems to be solved, a few of the major ones being: (1) Resolution of conflicts with Munitions Board single-service procurement assignments, (2) the time phasing necessary to minimize the impact and make possible the assumption of the additional USAF workload by GSA, and (3) calculation of requirements for items transferred to GSA for purchase. Jointly the USAF and GSA can solve those problems and open the way for even greater use of GSA services than last year when Air Force business accounted for so substantial a portion of GSA's total volume.

I firmly believe that the accomplishment of the above program by the joint USAF–GSA task group will move toward the desirable goal of having the GSA support the housekeeping needs of the executive departments and at the same time improve Air Force capability to provide the best military equipments for the national defense.

Sincerely,

R. L. GILPATRIC.

DEPARTMENT OF THE AIR FORCE,
HEADQUARTERS UNITED STATES AIR FORCE,
Washington 25, D. C., November 12, 1952.

Subject: Purchase for USAF of commercial common-use items by GSA.
To: Commanding General, Air Matériel Command, Wright-Patterson Air Force Base, Ohio.
(Attention MCPE–1.)

1. On September 12, 1952, your command forwarded this headquarters a list of commercial common-use type items screened from Air Force class 25B for consideration by GSA to purchase for the Air Force.

2. By letter dated October 27, 1952, GSA advises this headquarters as follows:

(*a*) GSA has the capability to supply to AF bases those items quoted "LP" in AF stock lists and which are listed in GSA stores stock catalog.

(*b*) Those items not listed in the GSA stores stock catalog but which are included in GSA Federal Supply Schedule class 53 may be purchased on an optional basis until December 1, 1952, at which time they become mandatory on the AF to purchase from this schedule.

(*c*) Other items on the screened list not carried in the store stock catalog or Federal Supply Schedules, GSA will be pleased to consider on a direct procurement basis.

3. It is requested that implementing instructions be issued for those items in (*a*) and (*b*) above. Those items in (*c*) should not be mandatory on the base. However, the implementing instructions should definitely state that by Air

Force policy, bases will use the procedures under (c) whenever that is most economical and effective.

4. It is suggested that coordination of operating details with GSA be on a direct basis through the office of Mr. L. L. Leeper, officer of the Commissioner of Federal Supply Services, General Services Administration, Washington, D. C. In any event it is requested that Mr. Leeper of GSA be advised at least 7 days in advance of date of issuance of implementing instructions to Air Force bases to use GSA services.

By command of the Chief of Staff.

WILLIAM D. ECKERT,
Major General, USAF,
Assistant Deputy Chief of Staff, Matériel.

Lieutenant General RAWLINGS. Mr. Chairman, there is one point there which I think is rather important. We must be careful of this, and that is whatever we give GSA in the form of anticipated future workloads obviously has to be tied to what the future Air Force program would be. What I am trying to say, in other words, is that you can't do that until you know whether the program is going to build up or whether it is going to go to a low level, and generally that is tied in with the annual determination of the forces that then are provided for in the budget. So that, in terms of giving a picture beyond a single fiscal year, it does become a problem which you have to be very careful of, or we could end up with having a situation where the forces are declining and having GSA with a big organization and a lot of stuff. And, contrary, which might be even more serious in case of a sudden emergency that was not anticipated, is not having an adequate operation because they didn't know the emergency was coming along. Therefore, you do not have the flexibility to move your troops to the Far East or another theater on very short notice. We have to temper it with that kind of judgment.

Mr. BONNER. You see, if GSA didn't have something to base their requirements on, when they present their budget they would then find it difficult to secure the funds to supply what GSA was set up to do.

PROGRAMS AND REQUIREMENTS

Lieutenant General RAWLINGS. Yes, sir. That is the part of the program that is complicated, because the point is you have to have knowledge of what your future program is going to be. I agree with you we might end up where GSA might not have the structure to provide the support, and then we would be left high and dry, which would be very dangerous.

Mr. BONNER. It is an uncertain future that you look into, but you yourself have to project into the future where you do your own supplying. And GSA was set up to supply certain items; so, they must have some guidance from the agencies that they serve as to what they should stock.

Lieutenant General RAWLINGS. I quite agree, sir. My only word of caution is that every time you have a different agency, no matter who it is, it is just like anything that gets big. And you do have a communications problem. The timing on this budget cycle is very involved and difficult. So, it is a problem. We have to be very careful in all of the departments to assure we have not done it in such a fashion that we undermine our program either by overprocuring or underprocuring—either direction.

Mr. CURTIS. The items from GSA are pretty well known from the standpoint of usage and repairability and replacement, and that makes it easy from that angle. But a lot of these items, new things like that, you don't know about; you haven't got usage figures on.

Lieutenant General RAWLINGS. That is right.

Mr. BONNER. They are more or less common-use items. Over a period of years, your requirements might diminish, and they could supply another Government agency over the years from these stocks of goods in their warehouses.

Lieutenant General RAWLINGS. The determination of the items forms the difficult problem. The problem is great. And another difficult problem is the timing of that task.

Mr. BROWNSON. Those items are all reimbursable to GSA from Air Force funds?

Lieutenant General RAWLINGS. Yes, sir; we pay for everything they buy for us.

Mr. BROWNSON. The problem is their stockage level?

Lieutenant General RAWLINGS. We have a number of items——

Mr. BROWNSON. They have advanced the item to the Air Forces, and they are reimbursed, and that can be repurchased?

Lieutenant General RAWLINGS. I believe it gets a little more complicated. They have to have an organization with personnel in it to perform the function that they are going to do for us.

Mr. BROWNSON. Yes; of course. Stockage levels determine the size of their overhead personnel.

Lieutenant General RAWLINGS. That is right.

Mr. BONNER. You see, we eliminated the difference in cost. You might have been able to purchase at times more economically than GSA. That has been straightened out now.

STATEMENT OF MAJ. GEN. M. E. BRADLEY, JR., DIRECTORATE OF PROCUREMENT AND PRODUCTION

GENERAL SERVICES ADMINISTRATION HAS NOT BEEN GIVEN OVER-ALL REQUIREMENTS

Major General BRADLEY. That is definitely true in many cases. In many cases, GSA has not known the whole over-all requirement. For, say, chairs, they have not been able to go out and buy a number of chairs where they would get a cheaper price. They have bought small quantities, bits and pieces of orders by each Government service filtering in their requirements. We have been able to go out and buy in quantity, and our price on the chairs was considerably lower than they were able to furnish them to us. That is just one example.

WAREHOUSING COMMON ITEMS IS COSTLY

Mr. CURTIS. You probably save money by not having them warehoused all that time.

Major General BRADLEY. There is something there, too. We would like very much to get out of that kind of business and get the stuff furnished by an agency that was furnishing it to everyone.

Mr. CURTIS. I think we sometimes make a mistake in overlooking the economy of our tremendous civilian distributive system. Where

we think we are saving money by buying direct from the factory, we have to set up in turn a distributive system that functions as they do with their outlets. A hammer bought in a retail hardware store for a dollar might be a whole lot cheaper than one bought in quantity for 50 cents.

NEED FOR COMMITTEE HELD

Lieutenant General RAWLINGS. I believe the committee can be helpful on that. It is hard to develop the data. There is no question but what if we do a lot of local purchasing we can save the Government money, although the individual item price will be higher. We always have the problem of someone taking an individual item that was bought locally and cost maybe 10 or 15 or 20 percent more than a centrally procured item that does not have the cost of warehouse services and distributive services added to it. I think the committee can be most helpful to the service in helping us in that direction.

Mr. CURTIS. It is an eduational thing. I think we have got to educate the public on that.

WAREHOUSING COSTS

Mr. BROWNSON. Do you have any over-all appraisal that you use as a rule of thumb for warehousing costs? I understand some of the large chain outlets in the country use a figure of 1 percent a month as an approximation of their warehousing and the depreciation cost. Have you developed any comparable figures that would be applicable to common-use items?

Lieutenant General RAWLINGS. General Parker, do we have such a thing? I am personally not aware of it.

STATEMENT OF BRIG. GEN. L. R. PARKER, DIRECTORATE OF SUPPLY AND SERVICES

Brigadier General PARKER. We have the figures that you recall General Rawlings mentioned about the cost of warehousing together with the transportation and some other factors. Those could very easily be developed.

(The figures referred to follow:)

6 PERCENT=ESTIMATE OF DISTRIBUTION COSTS

The over-all rule of thumb is that with respect to the standard stock common-use items the cost of distribution through the depot system (including transportation in and out, and interest on investment for land, buildings, and equipment) is approximately 6 percent per year of the dollar value of Air Force property.

Mr. BROWNSON. That type of figure would be very helpful to us in trying to explain and trying to create a basis for an understanding of local procurement, even at a higher price.

You were speaking of transportation costs in connection with your purchasing policy here. Are transportation costs taken into consideration on these contracts?

Lieutenant General RAWLINGS. Yes, sir.

Mr. BROWNSON. Are they entered right in with the total price on those contracts? That is, would a bid from a remote point where there

would be considerable transportation cost to the point of usage would be weighed against a bid that might be a little higher from a point that was closer and where the freight factor was not so much?

Lieutenant General RAWLINGS. Yes, sir; we do. And we have had a couple of bitter experiences where we made a mistake, where the low bidder was the high-cost man and we gave it to someone else. We do attempt to weigh the transportation cost as a part of the bid in addition to the bid price in arriving at the determination of who gets the job.

Mr. CURTIS. That gets into the problem of your utilization, if you warehouse it and distribute it yourself.

Lieutenant General RAWLINGS. Yes, sir.

COSTLY WAREHOUSING

Major General BRADLEY. There is another factor that enters into this thing of depreciation and warehousing. Some companies have found that the buying of business machines and things of that nature and stocking them and then reissuing them runs into high depreciation and wastage. They also lose the benefit of local servicing which you get when you buy them at the local places.

Mr. BROWNSON. That is right.

Major General BRADLEY. We are seriously considering the same factors in those kinds of items.

USE OF INDUSTRY'S DISTRIBUTIVE SYSTEM

Mr. CURTIS. I see it, too, being on the Small Business Committee, where we have this problem of keeping our economy intact when we have an impact, such as we have now, of mobilization, of keeping small business alive, because they are needed in the event of all-out war or mobilization. We frequently find one thing that seems to be too common in the public thought is the overlooking of the tremendous distributive system we already have set up in this country.

Mr. BROWNSON. Of course, on the other side of the matter, the General has the problem of some isolated committee or investigator going out and getting some item for which he paid 24 cents, using our civilian distributive system, where somebody else could buy it for 21 cents. Some committees have made a chamber of horrors out of the thing, largely on this basis.

REDUCING TRANSPORTATION COSTS

Lieutenant General RAWLINGS. There is one thing I want to add that we try to do to minimize this transportation problem within our own supply system, and that is: instead of having each depot stock a complete range of all these supplies, we have a two-zone system. We have one west of the Mississippi and one east, and in that way we can minimize the amount of transportation involved. If you had to completely handle it from each depot on the whole range of items, it would be very costly. That is one of the things we have to handle ourselves.

AIR MATÉRIEL COMMAND PURCHASES, FISCAL YEAR 1952

Colonel FULTON. This chart indicates what Air Procurement dollars handled during fiscal year 1952. Of the $14,485,725,000, the Air Matériel Command handled $11.5 billion on 17,105 purchase requests. The Army, Navy, and joint agencies handled $2.9 billion—that is, against Military Interdepartmental Purchase Requests—and General Services Administration handled $85,725,000 against 50,000 purchase requests, which constituted both the purchase orders and the requisitions that were placed against the service center.

SINGLE SERVICE ASSIGNMENTS AND PLANT COGNIZANCE

I would like to cover the procurement cooperation that is accomplished between the services. This is accomplished through the single service procurement procedure, in which there is an assignment of commodities to one service; that service procures for all of the three services. These assignments, as I stated, are made by the Munitions Board on the basis of commodity groups. An extension of the single service procurement procedure is accomplished in the aeronautical industry through plant cognizance assignment where either the Air Force or the Navy has been assigned cognizance over specific aircraft engine or propeller plants by the Munitions Board. Through that cognizance the cognizant agency handles the procurement, the production, the facilities, the quality control tests, the security and auditing functions for the entire organization, thus obviating the duplication of two services in the same plant.

JOINT AGENCIES

We then have the joint agencies, the armed services petroleum purchasing agency and the armed services medical purchasing agency and the new armed services textile and apparel purchasing agency which is being set up in New York and is scheduled to be implemented on the lst of October of this year. And, of course, you have GSA, which all services utilize.

Mr. BROWNSON. That question of plant cognizance—how does that enter into the picture? Is that used to coordinate purchasing where the Army and Navy may be buying propellers from the same plant?

Colonel FULTON. If the plant is under the cognizance of the Air Force, for example, and the Navy requests some propellers from that plant, they develop the MIPR and submit it to the Air Force and we buy the propellers for them. If the plant is a Navy plant, we send the MIPR to them.

PLANT COGNIZANCE ASSIGNMENTS

Mr. BROWNSON. In actual practice, how does it work? In effect, does it mean that you have established squatters' rights for the Air Forces to certain groups of plants, or is there quite a lot of interchange?

Colonel FULTON. I don't understand what you mean by "squatters' rights" in this particular instance.

Mr. GILPATRIC. The plant cognizance assignments are made by the Munitions Board. The assignment of Pratt & Whitney to the Navy for cognizance is done by the Board. I am sure we buy many more engines than the Navy does, but we buy them through the Navy because the Navy has cognizance of that plant. Whereas, in the case of North American, which is assigned to the Air Force, when the Navy wants to buy aircraft from one of the plants of North American, they will buy them through the Air Force. But it is all done in the same way under the single procurement system.

Mr. BROWNSON. Is it done at the instigation of the service which desires to have cognizance over that plant?

Mr. GILPATRIC. Well, to start with, after the Unification Act, the Security Act, of 1947, there was a division of the plants that were then making aircraft and related equipment for the two services. Then, as time goes on and new plants are built or come into the aircraft industry, the Air Force may request it and the Navy may request it, and we do not always agree. Sometimes we have to have an umpire, but those instances are not very frequent, and the Munitions Board has to make the assignment.

RETIRED MILITARY PERSONNEL AND EFFECT ON PLANT COGNIZANCE

Mr. BROWNSON. I have a constituent who brings up what he claims is a curious coincidence, which I haven't been able to look into. He has made the point that a lot of the plants with Navy cognizance have retired Navy personnel high in the management of the plants, and a lot of the plants with Air Force cognizance have high ranking Air Force retired personnel, some on the boards of directors of the plants. Whether that is correct or not I do not know, but I just was curious to go further and find out how the cognizance assignments are made.

Mr. GILPATRIC. General McNarney, former Air Force officer, is now located at the San Diego plant of Convair, which is a Navy cognizance plant. I don't think there is any pattern in that way, Mr. Brownson.

COMMITTEE INFLUENCE ON JOINT TEXTILE PROCUREMENT AGENCY

Mr. BONNER. As to that joint agency there that was a result of the efforts of the textile agency that you remember this subcommittee has been greatly interested in, has that actually gotten under way yet?

Mr. GILPATRIC. It has been set up, and it is being staffed.

Mr. BONNER. That was in lieu of the collaborative arrangement.

Mr. GILPATRIC. That is correct. There is a definite relevancy between what the committee said and getting that agency going. We were more or less innocent bystanders in that transaction, because we never did any procuring of textiles. The issue is between the Army and the Navy. We did not care how it was done, but it was resolved last summer finally, and the Army was given the job as executive agent to run the joint agency. As the colonel says, the agency will actually take over and run the show in this field from the 1st of October. The Air Force has personnel who are assigned, as does the Army and Navy, and, so far as I know, that work is right on schedule.

Major General BRADLEY. We are furnishing some personnel, although we never had any responsibility before. We are having procurement personnel to take over our share of the burden.

Mr. BONNER. General, do you prefer single service for clothing or a joint agency for clothing?

Major General BRADLEY. As Mr. Gilpatric said, we have been getting along fine. Someone else was buying the clothing for us, and we had no problem, really, in clothing procurement, and if it has to be handled other than the way it was—and I suppose it does because of the fact there was other trouble in the picture—the joint agency suits us fine, and I think it is all right. We have no trouble with the petroleum procurement.

Mr. GILPATRIC. As the Air Force member of the Munitions Board, I voted for and, in fact, broke the deadlock in the joint agency along with the prodding from your subcommittee.

Colonel FULTON. As an indication of the cross service operation on the single service operation, as previously stated, there were some 5,000 Air Force military interdepartmental purchase requests totalling $2.9 billion which were processed through the Army and Navy during fiscal 1952. During the same period, approximately 1,175 MIPR's were received by the Air Force from the Army and Navy, totaling some $617 million.

LOCAL PROCUREMENT

Another method by which we accomplish our procurement is through local procurement. The term "local purchase" or "local procurement" means the procurement of material, supplies, and/or services with appropriated funds by an Air Force activity for use and consumption by that activity or other activities assigned thereto for supply support. Items were locally procured to reduce both item and quantity stockage and transportation time within our depot system and permitted full utilization of commercial and GSA distribution service.

Mr. GILPATRIC. How many items do you estimate are in this category?

Colonel FULTON. About 89,000 as covered on the stock list.

Mr. CURTIS. Of course, almost all of those are common-use items; are they not?

SPARE PARTS BOUGHT ON FEDERAL SUPPLY SCHEDULES

Colonel FULTON. Almost entirely.

A specific example of local purchase is the support of our USAF commercial vehicle fleet on which we buy our spare parts against the Federal supply schedule. By utilizing this particular type of supply operation what we are actually doing is using an extensive commercial distribution system which is already established by the automotive manufacturers and dealers in the United States. We reduce our inventory of spare parts that we need to carry in our own system. We reduce our out-of-commission time on vehicles. We eliminate our pipeline. We realize sizable discounts from our suppliers. The figure on that is an average of 21 percent. We also receive credit on the exchange of repairable items for new or rebuilt items.

The sources of supply for our local purchases are commercial concerns which are usually within the local trading area of the local purchasing activity. The General Services Administration supplies the

names of contractors listed on the Federal supply schedule, Federal prison industries, and the manufacturing facilities of the Army. The schedule of blind-made products as listed on the Federal supply schedule.

To give you an indication of the scope of our local purchases, these purchases are generally for less than $1,000. There are approximately 89,000 line items that are coded for local purchase in Air Force stock lists. They are usually common-use items. Of interest right here is the fact that that figure has increased from 14,000 line items in the last 12 months.

USE OF PETTY CASH FUND

We also have a petty cash procedure where we have simplified the procurement of items that run under $100.

Lieutenant General RAWLINGS. Explain that briefly. I think it is interesting.

Colonel FULTON. Rather than going through a formalized bid process and writing a contract, it is only necessary to obtain three informal bids and select the low bidder, since it is an off-the-shelf purchase, prepare a voucher at that time which becomes the receiving report, and the voucher, and take the voucher to the vendor. He signs the voucher, and we give him the cash and take the off-the-shelf item back for our use.

Mr. BROWNSON. Are those people who are authorized to make petty cash purchases under bond?

Colonel FULTON. Yes, sir; that is right.

General RAWLINGS. If they are civilians. If they are officers, they are under military law.

Mr. BROWNSON. How does that work out? Is bonding a delay or handicap in any way, or is the requirement that they be bonded working out all right?

Major General BRADLEY. It is no problem at all.

Lieutenant General RAWLINGS. I think the major problem is an educational problem of our own people to get them to utilize a device which we have that saves a lot of red tape. Many of them, being accustomed to using the old procedure, still want to use it. It is hard to get them going, but it is going along, and we are not having any difficulty.

Mr. BROWNSON. Who pays for that bond; is it paid for by the Federal Government or the employee?

Major General BRADLEY. By the individual himself.

Colonel FULTON. That concludes my presentation.

Mrs. HARDEN. Will we have time for a question now?

Mr. BONNER. Yes, Mrs. Harden. Go right ahead.

STRIKE AT ALLIS-CHALMERS PLANT

Mrs. HARDEN. Colonel Fulton, Terre Haute, Ind., is in my district. Does the Allis-Chalmers contract come within your jurisdiction?

Colonel FULTON. Yes; it does. But I would like to address your question to General Bradley.

Mrs. HARDEN. I am particularly interested in that.

Major General BRADLEY. Yes, ma'am. We have had a very unhappy experience over there. They are set up as one of the main sub-

contractors to Wright Aeronautics to build parts for one of our major jet engines, and they have had a strike which started about the 1st of June, and it is still very much unsettled. They had some critical machine tools in there that we shipped in for the performance of that contract. We furnished them to build these parts, and we have had to remove some of those tools in order to get them to work in places that were not struck. That is about the status of it today. We hope they will get the strike settled.

Mrs. HARDEN. I hope they will get it settled, also, because it is a very, very critical area, and the unemployment situation is very bad. In fact, it was declared a critical area, and I am hoping they will get it settled soon.

Major General BRADLEY. We had hoped that the necessity of our having to remove the tools would help to get the strike settled by speeding up their negotiations.

Mrs. HARDEN. I think I read where you had removed about 125 machine tools from there.

Major General BRADLEY. I think there are more than that still there.

Mrs. HARDEN. That was the latest information I had.

Major General BRADLEY. Yes, ma'am.

Mr. HARDEN. Will the other machine tools be returned if the strike is settled?

Major General BRADLEY. If the strike is settled, we will have to keep the tools probably where they are if they are cutting metal.

Mrs. HARDEN. Where are they now?

Major General BRADLEY. The tools that would have gone to some other places will be put back to work there. These have been shipped to both Wright Aeronautical, which is the prime contractor for the engines, and some of them have gone to Oldsmobile and to Buick, who are also in the program.

Mrs. HARDEN. There are thousands of men out of work down there.

Lieutenant General RAWLINGS. What we are doing—the tools that would have gone to these other firms will flow back to Allis-Chalmers rather than pulling out the other tools.

Mrs. HARDEN. When the strike is settled, some tools will be returned; will they not?

Major General BRADLEY. If they don't get the thing settled in a reasonable time, we will be forced to build up the necessary capacity in other places. It is a very serious thing. By that time, there won't be much left to put back in there. Wright Aeronautical plans to use them as our major subcontractor, but every day the thing is delayed we have to set up a structure that will support our program.

Mr. GILPATRIC. That program is one of the most critical in the Air Force, because it is supporting not only our own forces.

(Discussion off the record.)

Major General BRADLEY. Every day we are delayed we are getting set up to build them some place else.

Mrs. HARDEN. I realize how serious it is, and I hope it is settled soon.

Mr. BONNER. If everyone has finished, the general has suggested we take a little recess. I think we are all entitled to it if you are ready.

(Whereupon, a 15-minute recess was taken.)

STATEMENT OF COL. WALTER B. PACKARD, DEPUTY FOR PROCEDURE AND FIELD OPERATION, DIRECTORATE OF SUPPLY AND SERVICES

AIR FORCE DISTRIBUTION SYSTEM

Colonel PACKARD. Mr. Chairman, the preceding speakers have shown how we compute our Air Force requirements and how we go about procuring our property. I would like to briefly show our United States Air Force distribution system.

The objectives of the USAF distribution system are to procure, store, and issue USAF supplies and equipment at various points and in sufficient quantities to insure that the using activity has the right item at the right place at the right time and with the utmost economy; two, to operate the supply system through the establishment and maintenance of a single supply procedure Air Force-wide with uniform methods for each echelon of the AF to follow.

The distribution system employed by the Air Force has been developed and is based upon sound business principles. This has been accomplished through the use of modern, up-to-date management techniques, tools and devices. Standards, measures and optimum rates have been developed and are in use today for all supply functions and operations.

The services of major industry and industrial engineering concerns have been used to improve the Air Force distribution system. In addition, aggressive action is constantly being exerted to further improve the system to reduce cost in personnel, equipment, and resources.

PROCUREMENT OF SPARES AND SUPPLIES, FISCAL YEAR 1952

I would like to give you a brief picture as to our fiscal year 1952 procurements of spares and supplies for the Air Force, exclusive of complete aircraft and guided missiles. For fiscal year 1952, our Air Force procurement of supplies and equipment for delivery to our zone of interior depots or direct to using Air Force activities amounted to approximately $5.5 billion. Of this $5.5 billion figure, the Navy under single service procurement procured for the Air Force a little over $1 billion or 13.5 percent of our total Air Force procurements for delivery to our Air Force depots or Air Force using activities. Of this $5.5 billion, the Army under single service procurement on common-use distribution responsibilities procured approximately $1.1 billion of supplies for the Air Force or approximately 15 percent of our total Air Force procurement. However, of this 15 percent procured by the Army, approximately 50 percent of the items were procured for distribution and storage by the Air Force at the Air Force storage depots. Therefore, based on our fiscal year 1952 procurement, the Air Force is storing and distributing more than 90 percent of the supplies and equipment required to support the Air Force.

Mr. BONNER. Just a minute there.

AIR FORCE ROLE IN AVIATION PROCUREMENT

Mr. Secretary, under the National Security Act, the Air Force was created as a separate branch of the armed services, and was not it contemplated that the Air Force would have sole jurisdiction over everything of an aviation nature?

Mr. GILPATRIC. Except for Navy air.

Mr. BONNER. Navy air was excluded in the reorganization?

Mr. GILPATRIC. Navy and Marines.

Mr. BONNER. And yet from this chart do I understand now that the three branches of the service are buying technical items for the Air Force?

Mr. GILPATRIC. No. Those items, I am sure, include standard stock common items, too.

Colonel PACKARD. Yes, sir; some of them do. Some of the Navy procurement are technical items, I believe, under single service procurement.

Mr. GILPATRIC. And also some communications equipment of the Signal Corps, but the Army, Mr. Chairman, does not buy any aircraft technical items.

AIR FORCE BUYS ALL ARMY AIRCRAFT

Mr. BONNER. You buy all aircraft for the Army?

Mr. GILPATRIC. Yes, sir.

Mr. BONNER. Does the Navy or Marine Corps buy any aircraft technical items for the Air Force?

Mr. GILPATRIC. Yes, sir; they do. That is pursuant to single service purchase assignments or under plant cognizance, as I explained before.

AIR FORCE SEA RESCUE AIRCRAFT

Lieutenant General RAWLINGS. May I give an example of that? We have a requirement for what we call air-sea rescue aircraft to take care of our people who are forced down at sea, in lakes, or on ground areas where we have water or an isolated area. The particular airplane that is used for that purpose is one designed and developed and is in production for the Navy. So that airplane we have the Navy buy for us, because they are already buying it for their own use. So rather than set up an additional procurement direct, we buy them through the Navy.

Mr. BONNER. You have the Coast Guard, too, to do air-sea rescue in a civilian capacity, and you have the Navy to do air-sea rescue in the armed services. Then, do not the Coast Guard and Navy both do air-sea rescue in the armed services?

Lieutenant General RAWLINGS. My understanding of that program—and we can get you the details on it—is that it is related to the particular activities they have assigned for the air-sea rescue mission. I believe in the continental zone of the interior it is all assigned to the Air Force. This we can get the exact details on for you. But there is an assignment of those responsibilities between the

services so that we are not overlapping each other's function in taking care of the air-sea rescue mission.

(The matter referred to is as follows:)

UNIFICATION OF AIR-SEA RESCUE WORK

The Joint Chiefs of Staff are now considering proposals which would unify the conduct of air-sea rescue activity among the three military departments. Presently each of the military departments has command jurisdiction over their air-sea rescue activity with direct coordination between the services.

NAVY-AIR FORCE DIFFERENCES IN BUYING SPARE PARTS

Mr. BONNER. Does the Air Force use the same method of buying spares as the Navy and Marines?

Mr. GILPATRIC. If you are referring, Mr. Chairman, to this new case-55 spares provisioning, we have introduced one variation over what the Navy has been doing. And it has been agreed now with the knowledge and acquiescence of the Munitions Board staff that each of us, the Navy and the Air Force, will continue for the time being and try out to see whether the variation which we have introduced will ultimately be more efficient and keep us current on spares better than we have been without requiring the Navy to change or vice versa.

Mr. BONNER. Is this something new that has come up in the Munitions Board since the reorganization of the Munitions Board under recent order?

Mr. GILPATRIC. No, sir. It came up in the last month.

Mr. BONNER. Now, what is the variation; just what is the gist of the variation?

Mr. GILPATRIC. The gist of the variation is that under the new procedure being followed by the Air Force we let the manufacturer of, we will say, a certain type of aircraft go ahead and release into production the spares that go with that aircraft—the wing sections, the landing gear, the nose section, tail section—whatever the parts are that are needed as spares for that aircraft. Before, the spares provisioning team from the Air Force has gone out and checked the manufacturer's planning on that. In other words, if you are going to have, we will say, a rate of 100 aircraft complete a month and you determine your need on the average of, we will say, five tail assemblies, it is much cheaper if the manufacturer sets up his tooling and orders his materials for 105—that is, the 100 that will be needed for the complete aircraft and the 5 that will be needed for spares—at the same time. Under our previous procedure, we were not able to follow that policy. So we are letting the manufacturer go ahead in that case and order his materials and set up his tooling and his manufacturing on the basis of 105. Then, our people here in headquarters will check that and verify that. If they find the manufacturer has over- or under-computed the spares factor, we correct that before any substantial costs have been incurred, so there will not be any major termination expense involved. We do, in effect, telescope the timing of the forecasting of spares by letting the manufacturer have a little head start on the process. What we have done in order to make sure we are benefiting from the Navy's system and the Navy is benefiting from ours is that a number of us, including myself, went up to the aviation supply office of the Navy outside of Philadelphia and we spent a whole day going

through their system. Then, a group of officers from the Air Matériel Command came into headquarters and did the same thing with the Navy, and we found our procedures were substantially the same except for this one factor.

MUNITIONS BOARD TO FIX POLICY

Therefore, the Munitions Board representative who was there, Admiral Ring, has agreed to let the two systems go ahead for the time being to see whether we are going to get better results under our variation or whether the Navy's sticking to its present system is best for the two. It is like Buick and Chrysler trying out different methods of distribution.

Lieutenant General RAWLINGS. May I make a statement in connection with this particular problem? We have a report through which we operate in order to be sure that our combat equipment is flying, and it is called Aircraft Out of Commission for Spare Parts Report. We get that world-wide and keep very tight control to be sure we have got the items or particular spares for those aircraft to keep them flying. For example, in Korea——

(Discussion off the record.)

Mr. BONNER. Since you brought that up, we heard you were short of parts in Korea.

Lieutenant General RAWLINGS. Perhaps this part of the discussion would best be off the record.

(Discussion off the record.)

Lieutenant General RAWLINGS. The F–86 was not intended to be deployed outside the zone of interior in terms of our procurement action when we initially bought them. When we were considering our budget—I believe it was for fiscal year 1951 or 1952; I am not certain of my dates—we had an item of war reserve of spare tanks, tip tanks, for F–86's. We were trying to hold our request down to the minimum possible figure, and we eliminated, on the basis of our best judgment, that item. What happened then was that when the F–86's were deployed in Korea they had to operate farther up north than we had originally anticipated, and we did not have enough wing tanks to take care of the number of planes. This meant that the plane would have to stay down and we would be subject to attack by the Chinese on the ground. The thing was so serious we actually had to fly wing-tip tanks from the United States to Korea to let those airplanes go ahead and perform their mission.

That situation changed a couple of times. At one time they were fighting directly over the line, and then we had to go to the Yalu, and on each of those missions they lost a complete set of tanks. Our requirements jumped 1,000 percent over a very short period of time. As a result of that, we have been checking all of our spare parts program carefully, and we have found that with the present procedure there is such a period of time that we were generally late with our new model spares support in early days because we did not have concurrency of spare parts. In peacetime, when you are not fighting and you do not have to deploy, you can suffer that and reduce your rate of operation until you have picked it up, but in wartime or in an emergency, you can't do that. What we worked out was this method of having the contractor select the long lead time items, and

we have then allowed him to go ahead with these items. The danger, of course, is that he will put on things that you do not need later. We recognize that. We are doing business with aircraft companies that have been in business for many years, and they intend to stay in business. So they are going to play this game as well as they can, or they are out of business. We do not buy their equipment. We feel by letting them go ahead we will be able to obtain this kind of support. We are following up to recheck that list, and we are making adjustments of whatever the actual situation appears to be at that time, either increased or reduced, and we think in the event of that we will be able to keep this extra equipment flying when we need it to fly.

Mr. BONNER. Since you got into Korea and this subject, Mr. Secretary, General Alkire made the statement over in Tokyo that the Air Force was only able to perform effectively 40 percent. Now, was it due to this situation, or was it due to the supply services of the Army who were supplying them?

Mr. GILPATRIC. Mr. Chairman, I have been to Korea in the last 2 months, and so far as I know, the only fall-down in spares support was due to a condition which General Rawlings has gone into, and that is when we did our planning and programing in the pre-1950 days or even in the early part of the Korean war, we didn't know as much about the conditions as we do now, as witness the fact that the AOCP rate for lack of spare parts went down in 6 months from nearly 50 percent to under 5 percent.

I agree with the statement Mr. Finletter made to you in June, and that is that by and large our sister services, where they have been called upon to give us support, have done as well as they could do.

Mr. BONNER. That was a pretty serious statement, and you know there was a controversy that arose at the hearings. I thought that since you are aware of it, when you were in Korea——

Mr. GILPATRIC. I looked into it myself.

Mr. BONNER. Were you looking into that because that was a serious charge for one service to make against a sister service? I thought it was well worth developing and ascertaining what you found out about it, because we brought it to the attention of General Ridgway, and he said he had never heard of such a thing before and never heard it mentioned before.

Mr. GILPATRIC. I looked into it when I was there, and I talked to General Weyland, who is the commanding general for the Far East Air Command, and General Clark, and I asked a number of other Air Force officers who have gone out since that was initially reported. Under the stress and strain, certain officers in General Alkire's position felt very strongly about it, but by the time I got there, whatever conditions there were such as that were cured.

Mr. BONNER. Did it ever exist? That is the question we were interested in. This subcommittee has never tried to bring about a lot of publicity. We have been trying to get down to facts and fundamentals; we are striving for something that will be more economical, whatever it may be, and that charge was pretty serious. We want to know whether or not there was any basis for such a statement.

Lieutenant General RAWLINGS. Could I make a statement that bears on this general subject? We are buying things for other services, and they are buying things for us. We have trouble in our own

procurement program on occasion—for example, the strike situation or a technical problem that arises in the engineering, design, or something of that sort—which make it impossible to meet the schedule that was asked for and that was required. That happens to us in servicing the other services, and it is bound to happen when they are servicing us. So you can probably always find, no matter how you work this thing or who is doing it, individual cases where there are single items that might be relatively important where one service was unable to do the other's job but they were not able to do it for themselves either. Rather it is possible—I can see where a chap could enthusiastically try to drive ahead and get a job done and lay blame on somebody else when he didn't know all the facts.

Mr. BONNER. He didn't pin it down to one period; he spoke of the whole operation.

Lieutenant General RAWLINGS. I cannot comment on that. I do not know.

Mr. BROWNSON. Is General Alkire still over there?

Lieutenant General RAWLINGS. No, sir.

Mr. BONNER. Are there any questions you gentlemen want to ask? I think this subject is well worth developing.

Mr. BROWNSON. I would like to ask the general one thing on his spare parts provisioning set-up there. Was this aircraft case No. 55 developed here in cooperation with the Munitions Board?

Lieutenant General RAWLINGS. Case No. 55—and we probably have somebody here who knows all the ins and outs of it—was a Munitions Board case developed jointly by the services. We have used the various cases that form a basis for our several operations. Case No. 55 is quite controversial. There are some people in the industry who do not like it for certain reasons, because of the red tape and paper work involved. Generally we go along with case No. 55 except this particular variation I am talking about. We think it will give us what we need when we need it, and we will still be able to do it on an economical basis.

RESPONSIBILITY FOR SPARE PARTS DETERMINATION

Mr. BROWNSON. Under your particular variation, who determines the number of spare parts that will be bought at the same time as the airplane?

Lieutenant General RAWLINGS. The determination is made by the requirements people within the supply activity here. They are the ones who actually compute the requirements for spare parts for the Air Force.

Mr. BROWNSON. The airplane manufacturer does not determine the quantity of the spare parts that will accompany it?

Lieutenant General RAWLINGS. No, sir.

Mr. CURTIS. He participates in the conferences in determining it?

Lieutenant General RAWLINGS. That is right. He will be able to initiate under this arrangement the items he thinks are going to be used and required as spare parts, but we make the computation of the requirements within the Air Force and then recheck it with the manufacturer and make the adjustments.

Mr. BROWNSON. When you make that computation of your spare parts and schedule your purchasing for the new aircraft that you

are buying, do you take into account your inventories on hand in connection with the existing aircraft which are in service?

Lieutenant General RAWLINGS. Yes, sir; and on order.

Mr. GILPATRIC. I do not think this problem applies to aircraft on order at all—just new aircraft.

Mr. BROWNSON. You mean new aircraft already in production? You will use your historical experience in supplying your separate parts?

Lieutenant General RAWLINGS. Yes, sir.

Brigadier General PARKER. It might be well to clear up one item here. The provisioning team was made up of supply people from here, representatives of the using command, and the manufacturing people. All we are doing is rewriting surveys upon the manufacturer to know what is needed for his own product. What we are doing is allowing him to anticipate a release for production of those long lead time critical items and report to us what he has done within 21 days. That is the time limit. And then the same process takes place that did before. There is just one difference in it——

Lieutenant General RAWLINGS. I might add one more comment that might help clarify the question. We feel that the contractor has a great deal of knowledge and experience in regard to these matters, and he has a technical responsibility to see that that airplane is able to do its job, that it is flying, that it cannot do the job if it is on the ground. Likewise, if we spend too much money for parts that cannot fly, it means he cannot produce as many airplanes. So he has an interest in it.

Generally they have technical representatives with our using agencies, and that information is sent back to the plant as to what is actually happening in the field. You probably found some North American representatives in Korea. So we feel we are able to capitalize on the ability in the industry, and as I see it, the hitch and the thing we have to be careful of is that they do not produce things we do not need. Our feeling is in the case of our major contractors who are not in and out of the program that they have to build these particular aircraft, and they have got a continuing interest and want to do it but for a price, too

Mr. CURTIS. Do not you actually find industry more frequently suggests to you to cut back your orders?

Lieutenant General RAWLINGS. It happens all the time. They will tell us this item is not needed and to cut it out. That happens often.

Mr. BROWNSON. How does this compare with the procedure you wound up with at the end of World War II? Was not the contractor given more latitude then than he is now?

Lieutenant General RAWLINGS. I would have to refresh my memory. General Hefley, do you remember?

STATEMENT OF BRIG. GEN. W. T. HEFLEY

Brigadier General HEFLEY. The procedure used now is merely a development of the procedure which was developed during World War II. The contractor was not given this latitude at that time. We had a procedure which took a considerable amount of time to arrive at a selection. That took, up until recently, a considerable amount of time to make the actual selection. So that the items for end-item require-

ments were in production before we knew what spare item would be required. Frequently that requires additional tooling and additional materials. The cost of spare items, therefore, would be considerably increased.

Mr. BROWNSON. The main difference of opinion concerning case 55 comes from the Navy; does it not, General?

Lieutenant General RAWLINGS. Yes, sir.

Mr. BROWNSON. We have in the record a letter [3] from Mr. Askin to Mr. Gilpatric and also the letter from Admiral Ring where they said the only exception to the plan of providing spare parts with initial order is that it is unnecessarily expensive, and that is why I wanted your viewpoint at this time.

Mr. GILPATRIC. Since Mr. Askin's letter, we have both had a look-see at each other, and Admiral Ring was along. The consensus was that we would each try out our respective approaches on a trial basis and see whether the Navy wanted to do what we are doing or whether we found we were wrong; and I think, with the Munitions Board looking over our shoulder, we will have a fair trial of it and then make a decision whether to continue our system or vary it.

Mr. BROWNSON. How long a trial will that be, Mr. Secretary?

Mr. GILPATRIC. I think it will be—General Bradley, what would you say?

Major General BRADLEY. It will be short. We plan to go through at least this fiscal year.

Lieutenant General RAWLINGS. It would not do any good to go through a shorter period. You would not have the end result. What happens on the delivery of these items is that the flow time is so long it will take at least a year to measure it.

Mr. BROWNSON. When do you consider that experiment started?

Lieutenant General RAWLINGS. The 1st of April.

Mr. BROWNSON. When you have had a year's experience in this program, will the processes of the Air Force and the Navy be surveyed and evaluated, and the results of your two independent approaches to this same problem be appraised?

Mr. GILPATRIC. Well, my conception would be we would simply compare notes again with the Munitions Board staff sitting in. In other words, we would show them what our results were, and they would determine whether or not they wanted to vary the program. Actually, over-all they use somewhat different terminology in their rule book, but there is no basic difference in practice at all. They have to take certain chances the same way we do. They have a smaller buying program, by and large; the Navy buys about a fourth as many aircraft as the Air Force does, and their aircraft are not as complicated. That is because they do not have bombers and heavy aircraft, such as transports. Our problem is a good deal more serious than theirs. It may be that they can supply on a more simplified basis. But the thing is being watched carefully and will not get out of hand.

Mr. BROWNSON. When it is evaluated, will it be evaluated on the basis of unnecessary expense and waste as well as on the basis of what it has been able to deliver for combat in the way of aircraft?

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[3] See pp. 38–40, hearings on Federal Supply Management (Air Force Supply—Munitions Board).

Mr. GILPATRIC. Yes, sir. If we do find that our manufacturers are overestimating the spares factor and we have to pay any substantial cancellation or termination costs, we will certainly take a hard look at it. I do not think that will take place.

Mr. BROWNSON. Thank you very much, Mr. Secretary.

Mr. CURTIS. I would like to follow through on this cost question. First, I would like to mention that my question is in the nature of a comment.

It seems to me the biggest problem you have is the fact that aircraft are changing in design so rapidly that you do not get a good usage figure before you go to a new design, and your usage of spares changes so rapidly. Would you say that is a fair comment?

Mr. GILPATRIC. That complicates the problem.

Mr. CURTIS. Yes. That complicates the problem; that is, in relation to other fields, like automotive spares. That is a pretty set thing.

Mr. GILPATRIC. The problem really would not exist were it not for the condition you mention. If we were not bringing new aircraft into our program, we would not have to resort to this procedure at all.

Mr. CURTIS. As I understand it, there is beginning to be developed now a distributive system in the aircraft industry for commercial-type aircraft spare parts, but up until very recently there was no program in the industry on how to handle spares.

Mr. GILPATRIC. No. And, actually, Mr. Curtis, the Air Force has had to come to the help of industry.

Mr. CURTIS. That is because you have more than they have.

Mr. GILPATRIC. Yes, sir. The airlines were faced with a very serious situation about 6 or 8 months ago, and they asked us if we would furnish spare parts to them, so some of the commercial airlines could keep operating. We worked out an arrangement whereby they could buy some Air Force stocks.

Mr. CURTIS. I want to ask just one question on distribution. Do you find that a big problem comes up in the distribution of spares through failure to identify the innumerable spares that are in the system? Do you lose them out in the field through warehousing and failure to get them when you actually have the parts right on hand, but it is a failure to catalog and identify them? Does that problem still exist?

Brigadier General PARKER. There is always a certain amount of that, but I do not think it is of any serious proportion. But there is bound to be, I think, in almost any operation of this magnitude some lag time and some possibility of identification falling a little behind. Also, there is some possibility of the lack of applying proper procedure and use in field operations where conditions are difficult, which might bring about the situation that you suggested. You might have a part there, and it would not be identified because they did not know it was there.

Mr. CURTIS. One test of that, I would say, is that if you have a lot of cannibalization it usually comes as a result of failure to identify the spares you need and they resort to cannibalizing another airplane in order to get them. I have seen that happen many times.

Brigadier General PARKER. Are you talking about not having procured the proper spare initially?

Mr. CURTIS. No. I am talking about when you have already procured the item. I am now wondering, with this big problem of dis-

tribution of these same spares that you have already procured in getting them warehoused, identified, and sent out to the field, actually having those spares in existence and not being able to know that you have them.

Brigadier General PARKER. It is true that some of that occurs.

Lieutenant General RAWLINGS. Can I make a comment on this question? The thing which really is back of a lot of the problems we are discussing—I think it is important to know that we try to handle changes in our aircraft so that we are not changing for change sake. We have an enemy that has equipment that we are trying to be sure we can surpass. As you come along with experience with these models and find things you can do to improve their capability to do a better job, these changes have to be made. You also find certain things that will increase the safety factor that we only learn through experience, and those things do generate changes. When you do have changes, you may have an effect on your spare parts, and we try to make those adjustments just as fast as it is possible when those changes come up; but, because of the volume and magnitude of it, it is possible that some of them will not be identified.

Generally, what happens to us is that the lead time for making those changed parts is long enough so that you do not have the part when you need it, and that is the most serious problem from an operational viewpoint. Likewise, if you are not careful, that will result in overprocurement, because you do not stop the item that has been changed. We have the technique and procedure to do it, but there are exceptions.

Mr. CURTIS. In my opinion, it is one of the most complicated things you can get into.

DUPLICATION OF ITEMS

Mr. BONNER. I made notes as we went along. There was some statement about 700,000 items. Which, if any, of these 700,000 items are duplications? What are you doing to try to avoid duplication of items? As your designs and plans change, there are many items that continue on that come on a new plane with a different number, the same item but which had been numbered on a former plane. Does that bring about this 700,000 items you spoke of?

Lieutenant General RAWLINGS. We have a little presentation on cataloging that will cover exactly that question.

Mr. BONNER. I saved this, but it came up right in connection with this question.

Mr. CURTIS. I have one general question. In the use of the word "distribution" there, where you say "Based upon fiscal-year-1952 procurement, the Air Force are storing and distributing 90 percent," that distribution actually is through the various echelons?

Colonel PACKARD. Yes, sir.

Mr. CURTIS. A good percentage of the distribution is actually by one of the other services; is that correct?

Colonel PACKARD. No, sir. The 90 percent I referred to is entirely through the Air Force facilities, either zone-of-interior Air Force depots or Air Force bases.

Mr. CURTIS. Oh. In other words, it would not be Air Force procuring out of Army depots, for example?

Colonel PACKARD. No, sir. This 90 percent refers to storage and distribution responsibility that was completely by the Air Force. Going back, Mr. Curtis, the Army purchases through single-service procurement a little over $1 billion of our Air Force material.

Mr. CURTIS. That disturbs me a little bit, that that figure could be so high. I was hoping in this utilization of the other services you would be utilizing as much as you could of their distributive system, too, rather than actually handling the distribution in your own depots.

Colonel PACKARD. This is not, of course—this 90 percent we in the Air Force have for many years—in fact, since 1917—I am sure you are aware we had a distribution system——

Mr. CURTIS. I know that; yes.

Colonel PACKARD. A good share of the items we are distributing—in fact, practically all of this 90 percent—we have distributed for many years. We are talking about three things when we talk about distribution. We are talking about dollar distribution which might break down into different percentages. When we talk about tonnage, it might break down into a different figure. When we talk about numbers of items——

Mr. CURTIS. But this includes all of your common-use items?

Colonel PACKARD. No, sir. This $5.5 billion includes our total Air Force support.

Mr. CURTIS. It does not include subsistence or medical.

Colonel PACKARD. No, sir. It does not include several items, such as subsistence, ammunition, medical, and so forth.

Mr. CURTIS. What is your rate as to common-use items?

Colonel PACKARD. Of the $1.1 billion that the Army does procure for us, about 50 percent is retained by the Army for distribution through cross servicing.

Mr. CURTIS. I am surprised that the figure is that high, that 90 percent. Maybe I misunderstand what you mean about your storing and distributing 90 percent, unless that word "distribution" would include distribution at a local level. But, if you put that all in your own depots, that seems like you are not utilizing as much of the distributive system of the Army and Navy that you might be in the cross-servicing program.

Colonel PACKARD. As I mentioned before, Mr. Curtis, through several years—in fact, the past many years—we have distributed the majority of the supplies that have supported the Air Force, which closely approximated this figure of 90 percent through Air Force depots.

Mr. GILPATRIC. When you talk about dollars, Mr. Curtis, you get into airplanes—heavy bombers, for example, that may cost $3 million or $4 million apiece. Now, that makes a very high percentage in terms of Air Force storage and distribution equipment.

Mr. CURTIS. I thought this was excluding aircraft.

Mr. GILPATRIC. It excludes complete aircraft and guided missiles, but it includes engines, for example.

DOLLAR VOLUME VERSUS ITEMS

Colonel PACKARD. As Colonel Mullins stated, 3,000 or 4,000 items in the Air Force probably account for about 80 percent of our dollar volume. Therefore, the large range of items accounts for only a small percentage of our dollar volume.

Mr. CURTIS. And this 90 percent is just a dollar figure?

Colonel PACKARD. Yes, sir. As I mentioned, when you break it down into a tonnage basis, you will get a different percentage from when you break it down into an item basis. However, I am talking entirely in terms of dollar value.

Mr. BONNER. As I understand it, only 10 percent of the cost of supplies of the Air Force is what we term "common-use items."

Colonel PACKARD. Not necessarily; no, sir; because within this 90 percent, Mr. Bonner, there are common-use items which the Air Force has for many years stored and distributed itself but yet which have been stored and distributed by the technical services in addition to the Air Force. I would like to give you some facts and figures in regard to the volume and scope of the Air Matériel Command's supply activity. These figures cover our 16 zone-of-interior depots and are for the fiscal year 1952.

SUPPLY PERSONNEL

In our distribution depots alone we have approximately 36,000 personnel in supply. We utilize a little over 39 million square feet of covered storage space for Air Force supply and distribution responsibility. The number of items used by the Air Force but not necessarily stored and distributed by the Air Force is 1,043,000. The tonnage handled through our zone-of-interior depots during fiscal year 1952 amounted to 4,820,000 tons. The number of items processed during fiscal year 1952 for Air Force support was 37,034,000. The type of supplies that the Air Force distributed to its personnel, to its activities, and facilities are in the following categories of supplies and equipment: aircraft spares, engine spares, electronics and armaments, photographics, publications, special-purpose vehicles and spares, clothing, and so forth.

The following categories of supplies and equipment are supplied by other military departments or governmental agencies: subsistence, ammunition, general-purpose vehicles and spares, weapons and spare parts, medical supplies, and other common-use items.

HISTORY OF AIR FORCE DISTRIBUTION SYSTEM

Just a brief history of the Air Force distribution system. In 1917 the Air Force distribution system consisted of four depots located throughout the United States. Each depot stored and distributed all classes of Air Force property for designated areas within the United States. From 1940 to 1943, eight additional depots were established, and each stored and distributed all classes of Air Force property for certain designated areas within the United States. During the period 1943 to 1944, 56 specialized depots were established in addition to the 12 distribution depots in order to maintain back-up stocks for our distribution depots. By the end of World War II and by 1947, the Air Force had phased down to 13 Air Force depots. In 1948, the two-zone depot system was established under the prime and the opposite depot concept. This simply means for supply purposes that the United States was divided into two zones, with the Mississippi River roughly forming the dividing line. Instead of 12 depot areas, as we had during the war, we now have only a two-zone system, with each

area having a complete range of stocks but with no one depot carrying a complete range of stocks.

Under this two-zone system, each zone stocks all classes of property. Each depot in each zone specializes in certain designated classes. One of the two zone depots for each property class is designated as the prime depot. The prime depot is additionally responsible for computing requirements world-wide, initiating procurement, distribution of stock world-wide, expediting and requesting diversion of property direct from vendors, authorizing local manufacture, receiving priority extractions from the opposite, and for furnishing statistical data as needed by Headquarters of the Air Matériel Command in order to efficiently and effectively operate the supply system.

Our requisitioning and shipping channel for our zone-of-interior bases is as follows: A base will requisition an appropriate zonal depot for the property classification involved, and the depot in turn will ship the property to the requisitioning base. If a base needs a B–36 part, we requisition on San Antonio; if it needs a part for an F–86, it will requisition on the Sacramento depot. Similarly, in the eastern zone, if a base requires the same two parts, it will requisition on the two depots in the eastern zone. If an Air Force base requisitioned on our San Antonio depot and it did not have the part in stock, San Antonio would immediately extract the request to our Mobile depot, who, in turn, would furnish the part direct to the Air Force base. Bases in the central portion of the United States requisition on the closest zonal prime depots.

It is quite evident that if we had a base—take, for example, O'Hare Base in Chicago, just on the western side of our boundary zone—if it requisitioned upon Cheli in California just for the sake of being in the western zone, we would waste pipeline time and transportation time; whereas it could requisition on the Shelby, Ohio, depot which would carry the same item. Therefore, for the gray area surrounding the boundary line, these bases requisition upon the closest depot. And the benefits are quite obvious. It reduces pipeline time for some bases as much as 15 days, reduces transportation cost, and reduces the backhaul.

Now, requisitioning and shipping channels for our oversea activities requisitions flow from our oversea activities to the oversea central control depot in the zone of the interior and thence to the appropriate zonal depot. We at the present time have three oversea control depots: One at Sacramento, serving the Far East and the Pacific; one located at Mobile, Ala., serving North Africa, the Canal Zone, and Puerto Rico; and one at Newark, N. J., which serves Northeast Air Command, Greenland, England, and Europe.

OVERSEAS REQUISITIONS

When the overseas depots requisition upon these control depots, the control depots make a record of the requisition and maintain complete data and follow-up status on the requisition so as to indicate at any one time the status of the overseas requisition. The overseas control depot then immediately forwards the requisition to the depot for the filling of the item, and the depot, in turn, ships the property to the designated water or aerial port for transshipment overseas.

In cross-servicing support for the supplies and equipment stored and distributed by the Department of the Army for the Air Force, requisitions flow from Air Force bases to an Air Force depot for stock control and editing purposes and then to the Department of the Army depot for direct supply to the base. For the supplies and equipment stored and distributed by the Air Force for the Department of the Army—for example, helicopter parts—Army liaison type parts requisitions are submitted by the post camp or station to a designated Army depot for stock control and editing purposes and thence to the proper Air Force depot for supply. The distributive system utilized to supply Army requirements is the same as utilized in supplying Air Force requirements.

STOCKAGE OBJECTIVES

The stockage objective we maintain in our various echelons of supply are as follows: After the procurement has been made and the contract has been let to the manufacturer, the manufacturer will ship the items direct to the zone-of-interior depot where we attempt to maintain a 120-day stockage objective. Overseas depots attempt to establish a 90-day stockage objective.

Mr. CURTIS. That is added to the 120?

Colonel PACKARD. This is in addition to the 120; yes, sir.

Air Force bases, whether zone of interior or overseas, maintain a 45-day stockage objective out of which they supply the squadrons or various agencies for which they have support responsibility.

One word on stockage objectives. We do not mean by stockage objective a stock level. This 45 days is not the maximum stock as maintained on hand; it is merely the stock on hand and on order at any one time, not including pipeline time. The average stock maintained on hand at a base will vary around 30 days—that is, anywhere from 15 to 45 days—depending upon the cycle of requisitioning and when they receive their stock.

Mr. CURTIS. May I ask this question? This does not include pipeline time?

Colonel PACKARD. No, sir.

Mr. CURTIS. So that would be added on?

Colonel PACKARD. Yes, sir.

Mr. CURTIS. Do you have the pipeline figures?

Colonel PACKARD. I do not have the pipeline time for all of the bases. However, for our bases in the zone of interior, the maximum time allowed for pipeline time is 30 days. However, no one has authorized a standard pipeline time. That is based upon actual experience rates which we have checked from our various areas. We find some of the pipeline time is as little as 7 or 8 days, and in some cases they will approach the maximum of 30 days.

Mr. CURTIS. But in considering your cushion, you would include your knowledge and understanding that the pipeline is a cushion itself?

Colonel PACKARD. We understand it is necessary to include the pipeline time.

Mr. CURTIS. But it is also a cushion. In other words, you have those goods available. Suppose your source dried up. You still are going to have that.

Lieutenant General RAWLINGS. Could I answer that? For example, we had the steel strike. One of the reasons we are able to absorb a lot of the effect of that is that we do have this flexibility within our system. If we did not have, if it was geared precisely to the output, you would stop operations tomorrow morning. It is the same as American industry having inventories at various levels in the form of subcontractors and supplies. It is our distribution system that allowed us to go on a steel strike for 55 days. You have to be very careful that you do not cut them too fine and gear it so closely to production that we cannot take care of it if anything happens. I do not mean they have got to take care of all the unusual things. For example, when Korea occurred on the 26th of June, if we had not had some stock level and some pipeline, we would have been unable to deploy there what we deployed there and supported.

Mr. CURTIS. We agree with you gentlemen, but this committee is also very much concerned with all the cushion which can be placed in effect.

Lieutenant General RAWLINGS. And we are, too, sir. We certainly do not want to have a lot of supplies beyond our own needs, but we do think we have to be very careful that we do not get it so fine that it is so sensitive to what happens that it will stop all of the operations in case some of these things happen.

SUPPLIES AT END OF WAR

Mr. CURTIS. There were more goods in the pipeline at the end of the war in Europe than were used in the entire 3 years of the war.

Lieutenant General RAWLINGS. That is correct. And that is one of the very serious problems you have. The longer your pipeline is the more goods you have in it, and being able to crystal ball when is the time to cut off the inflow to that pipeline is a most difficult question. The logistics people will take a terrific beating in case you have a conflict. If that pipeline dries up, you might lose your whole operation; you might get a whole force geared to do a job, but if the pipeline is not there, the whole thing will fold up.

Mr. CURTIS. That is right, General. Of course, on the other hand, it has been axiomatic in the supply field in the military that a man never gets into trouble if he has too much. He gets into trouble if he does not have it. But we are in very grave danger from the other end, too, the economy end.

Lieutenant General RAWLINGS. Yes, sir.

Mr. CURTIS. We are all working for the same thing, but to work on it you have to get into these details. This business of your pipeline—incidentally, on the common-use items, if you set up a separate supply system in the Air Force, that would create another pipeline where you would again have this tremendous amount in there instead of utilizing one pipeline.

Lieutenant General RAWLINGS. I agree with you completely. We are getting to a point where not only as to the point of view of the impact on our budget and national debt, and so forth, do we have to worry, but you have to worry from the point of view of the physical items available, and I think purely from a military point of view we have to appreciate what we are doing to our national resources or we will not be able to take care of the very thing we are striving

to protect, and from a military point of view we have exactly the same objective.

I agree with you. Historically we have had great difficulty, because the combat man is the man running the operation and losing the troops and doing the fighting, and therefore the tendency has been to let the logistics man kind of follow along, and if he undersupplied the combat man, he was in trouble, and if he oversupplied, nothing happened.

I know through my own experience in the Air Force that that situation is changing. The attitudes are different. We recognize the problem, but there is a very fine point of how far you can go.

Mr. CURTIS. I agree with you. We certainly want to try to support the logistics, but still on the question of over-all supply——

Lieutenant General RAWLINGS. That can be life. Nothing is more important than that. And I can assure you when we do not get the supplies to our operating forces, we get blasted; and not only by the operating forces, but we get blasted by a lot of people, including sometimes the people who are trying to help us in the Congress. That is understandable, because they have people over there fighting whom they represent and they say "We haven't got any spare parts," and we have to sit here and be subject to attack.

AIR FORCE REQUISITIONING CYCLE COMPARED WITH ARMY AND NAVY

Mr. BONNER. Is your requisitioning cycle longer than that of the other services?

Colonel PACKARD. We believe, Mr. Bonner, that they are shorter than the other services. I would like to show you some figures that you are already familiar with and show you how we are attempting to reduce our pipeline time to a minimum and cutting out delays. I believe you recall in your briefing in Washington back in October you were shown this same chart, which shows the requisitioning through the channel of supply, from FEAF to the zone of interior, and back to the base, that that period was approximately 35 days for priority and the same channel for routine supply was 84 days. We were using a pipeline of 35 days for priority and a routine of 84. For the 3 months ending April 1952, we have come up with a priority time of 28 days in the pipeline and a routine pipeline time of 69.7 or roughly 70 days, with a saving of almost 14 days in the pipeline time since October 1951, which, computing back in days of supply, would mean a real dollar saving.

Mr. BONNER. There was a question which Mr. Kennedy wanted to ask the Secretary.

Mr. KENNEDY. Is there any study being made in the Department or at the Munitions Board level in regard to reevaluation of stockage objective?

Mr. GILPATRIC. I do not know of any.

Lieutenant General RAWLINGS. I do not know about the Munitions Board level, but we within our own activity are studying that continuously. We have a businessman who is working for the Secretary right now, a Mr. King, who is working on it.

Mr. GILPATRIC. He asked about the Munitions Board. We are doing it here. We have three over-all studies under way, one in personnel, one in construction installation standards, and one in matériel. One

of the features of the matériel study is the reduction of spare parts factor in pipeline, and we may be oversanguine, but I am confident we are going to end up with some savings. In fact, I think we have already reduced enough steps similar to the one that Colonel Packard has outlined where we have cut back, and we are trying to teach our own people. We do not feel this is a job that should be done for us by outsiders, by third parties, because our own people will not be benefited from the lessons learned. What we are trying to do is to combine the advantage of having an independent check-up maintained over our own procedures and have our own people really do the work. Presently the supply discipline that we are seeking—as General Rawlings mentioned, we have a consultant to him and to me, a man who has a great deal of experience in industry and also with the Government during World War II with the War Production Board, and he is casting a critical eye over the practices we are going through. We hope by the time Congress reconvenes we will be able to report to you, to this committee, some tangible results. This will not in any way cut across the studies that the Secretary of Defense will have to make under the provisions of the Appropriation Act of 1953. There is to be a review of the tables of organization and equipment and tables of allowances and tables of distribution. So again we will have another scrutiny to which our supply system will be subjected.

MILITARY COSTS VERSUS NATIONAL PRODUCTION

Over-all, I just want to reinforce what General Rawlings says, because I feel that in order for the Military Establishment to live within some figure—Mr. Finletter has shown it as 10 percent of our gross national product, which would be our over-all military budget, including foreign assistance and atomic energy—of $35 billion compared to the $50 billion odd that was appropriated for that purpose in the last session of Congress we have got to make not only a highly selective decision as to the kind of security we will have and put first things first, but we have got to be a darned sight better in our management in making the most of what we have. I just think we have a long way to go. I do not want in any way to detract from what General Rawlings and others have accomplished to date, but we cannot rest for 1 minute on what we have done.

Mr. KENNEDY. Will this study include an examination of the requisition cycle, also? Because it is evident from the presentation overseas that within the same general area the requisition cycle for the Air Force might possibly be 210 days and it might be 180 for the Army in the same area. That would lead anyone to wonder why, regardless of primacy of mission, they could not have some degree of uniformity.

Mr. GILPATRIC. There should be. We ought to use the lowest common denominator. If there is any variation on the up side, it should be eliminated.

Colonel PACKARD. We have a study under way at the present time on our pipeline time in all theaters trying to break it down to determine the amount of time it takes to initiate the request and forward it and process it, commercial shipping time back, handling it back to the depot, and part of the savings I have shown were the result of that study, trying to examine, if possible, the pipeline time in order to effect greater savings. That is a constant study which we have.

O'MAHONEY AMENDMENT ON STOCKAGE LEVELS

Mr. BONNER. The O'Mahoney amendment requires you to use the lowest stocking level. Now, what have you done in regard to complying with that?

Lieutenant General RAWLINGS. Can I answer that?

Mr. BONNER. What have you done in regard to complying with that directive of the law?

Lieutenant General RAWLINGS. Under that directive, the regulations were to be issued by the Secretary of Defense—I believe it was the 8th of September—and my understanding is that the regulation is in the process of being prepared right now and it will be ready and we will be following it on the 8th of September.

STOCKAGE LEVELS ON CIVILIAN TYPE ITEMS

Mr. CURTIS. On that, General, surely we could cut down on the stock level of civilian-type items, like coffee, for example, where they have a 6 to 8 months' supply, when the military only uses 5 percent of the amount of coffee imported into the United States. I know you are not in coffee, but on common-use tools, screw drivers and so forth, where the amount of supply in the civilian field is so great, you do not need to worry. You could go out and requisition all the screw drivers around if necessary.

AIR FORCE TO USE COMMERCIAL PIPELINE

Lieutenant General RAWLINGS. I certainly agree with that approach. Part of this presentation which you saw, where we were talking about our local purchase business—that is the kind of thing we are trying to get down to—local purchasing.

Mr. CURTIS. You would not need any stock level.

Lieutenant General RAWLINGS. No pipeline at all.

Mr. CURTIS. No; you would not need any pipeline at all.

Lieutenant General RAWLINGS. No, sir; except the commercial pipeline.

Mr. CURTIS. That is right.

Lieutenant General RAWLINGS. In the past, based on bitter experience, you do have problems in some areas with common items in case of emergency, but generally that kind of thing you can work out, and we are willing to do that.

Mr. BROWNSON. When we were holding hearings in Wiesbaden, Germany, an officer there used a chart which was set up on the basis of supply of paint.[4] The point of his chart was to demonstrate the stock in the pipeline necessary to provide a using unit with one can of paint a day. We went on through all the factors from the major shops where he had a 15-day supply plus a 5-day safety factor, to the base where he had a 30-day supply and a 15-day safety factor, the USAFE depot where he had a 90-day supply and a 45-day safety factor, and back to the United States where he also had supplies and the safety factor.

I can understand on ammunition and critical items like that where you need a safety factor. But this paint illustration implies that

[4] See p. 1012, hearings on Federal Supply Management (Overseas Survey).

same safety factor is applied to some of these common-use items which could be procured offshore in actual emergency and which we could get along without for a limited time if our supply lines were cut entirely. It seems to us that the headquarters which makes the determination as to what the reserve stockage level shall be is an echelon which has a terrific responsibility as to the over-all inventory which is going to be tied up in these common supply pipelines. Who makes that determination and is it made on the basis of whether or not it is actually necessary from the standpoint of combat effectiveness to maintain these reserve stocks?

Brigadier General PARKER. That is the part of the program that the colonel mentioned. It is an examination of all of these areas to see where savings can be made. That sort of item, the common-type item, we would like not to stock at all, and even overseas to cut that to a minimum.

HANDLING LOW-COST VERSUS HIGH-COST ITEMS

Lieutenant General RAWLINGS. There is one thing I would like to interject here. One of the ways that we are trying to get at this thing, and we haven't worked it out yet, is to try to separate the high-cost item from the low-cost item. Generally we had a system that handled all items alike, and we wrapped ourselves upon a teriffic volume of paper work with many items that don't mean very much in dollars.

For example, about 10 percent of our items, and these figures are subject to some minor modifications, represent about 80 or 90 percent of our dollars, and conversely, 80 or 90 percent of our paper work is only about 10 percent of the dollar.

We are trying to develop a program with the aid of Mr. King, who is the consultant and the businessman, we are working on the spare-parts problem to find some way of doing that. The problem is to get enough technical ability within our own operation to work out such a thing, which is complicated and involved, and which will cause us some difficulty. We will find some low-cost item which, when you take it by itself, stands out like a sore thumb, if you don't do a good control job on it.

We are working on that, and I hope we will have something that will make it possible to do a real job on a high-cost item.

Mr. BROWNSON. In other words, it is barely possible that all the paper work on the low-cost item may cost more than the low-cost items would cost.

Lieutenant General RAWLINGS. It very well could be.

QUARTERMASTER TEST AT OGDEN

Mr. BONNER. General, are you familiar with the Quartermaster test at Ogden General Depot on this very subject? (See pt. IV, sec. 1 of these hearings, p. 567.)

Lieutenant General RAWLINGS. I heard just a comment last night about that; I have not heard any of the details of that test, sir.

What is it in connection with?

Mr. BONNER. Economical merchandizing of small, inexpensive items.

Lieutenant General RAWLINGS. If they have something we are interested in it.

Mr. BONNER. That chart there just says "stock objectives." That takes in all items, I presume.

Colonel PACKARD. Mr. Bonner, we are speaking in broad terms; this does not cover local purchase items, or local manufactured items, or items purchased from GSA.

We do break our stocks down into various steps based upon from whom procured, and the pipeline time, and reserve stock.

Lieutenant General RAWLINGS. If the Quartermaster is working on such a thing at Ogden we would certainly like to take a look at it.

Mr. BONNER. Let Mr. Ward make an observation on this.

Mr. WARD. The subcommittee is going to Ogden to take a look at this test. Maybe you would want to have someone out there, because Mr. Pearson, a very high-caliber businessman has been conducting the test for several months. He thinks by putting merchandizing methods in there, particularly with the type items you are talking about, General, he can cut down the stock level maybe 50 percent, and he claims they are filling the orders in a few hours now.

They have cut the paper work, because it is worth more than the item. He claims most of the orders are for a few dollars and he has streamlined the merchandising program all the way through. He has cut out the electrical machine operation, and has adopted the manual system.

Lieutenant General RAWLINGS. That is very interesting to us, and we will have one of this group that is working with Mr. King, one of our people, get together with the Quartermaster; we wouldn't want to interfere with your trip. We will have him go out and see what he can learn.

We want to learn anything anyone has.

Colonel PACKARD. We compute our quantitative stock levels based on past consumption, and adjust these levels by considering back orders of a recurring nature, or substitute items, or anticipated requirements, including such things as program information, movement of equipment, and status of facilities and seasonal requirements.

To enable the prime depot to effect distribution, compute requirements and completely service the classes for which it is specialized, the prime depot receives a quarterly stock balance and consumption report from all bases in its zone, as well as a report from the opposite depot, bases in the opposite zone, and from all overseas depots and bases, in order that it may have on hand a world-wide inventory of stock.

This quarterly stock balance and consumption report includes all serviceable property on hand, reparable property, property out on memorandum receipts, currents 90-day consumption.

Then we have a rationing of materials in short supply. Oftentimes we ration materials, and the purpose of that is to insure that material available for organizations and projects with great strategic importance, and to meet specific conditions for supply priorities. Here are some of the methods that are used for rationing stocks in short supply:

Stocks are rationed when depot assets reach a 60-day stock position. When this occurs issues are restricted to organizations that are assigned precedence ratings of 1 through 9. These ratings are issued monthly by the Air Force in the priority of programed units docu-

ment, taking into consideration that organization's place in the overall plan, or its strategic value to the Air Force in accomplishing its mission.

Secondly, stocks are rationed in order to meet certain specific conditions such as calamity, disaster, missions of mercy, emergency requests from overseas, aircraft out of commission for parts, aircraft not fully equipped, vehicle deadlined for parts, radar out of commission for parts, and work stoppages are on our production line such as overhauling of aircraft engines, and so forth.

In order that all systems and procedures in the Air Force may be uniform, and deseminated to all USAF activities, we prepare and keep current a single supply publication for headquarters, USAF, Air Matériel Command, major commands, zones, depots, bases, and tactical organizations, both in the zone of interior and overseas.

This publication is our Air Force Manual 67–1, and it covers procedure for requisitioning, purchasing, receipt, storage issue, shipment, disposition, stock control, identification, and accounting at all Air Force installations.

Mr. CURTIS. Is that a loose-leaf booklet?

Colonel PACKARD. Yes, sir; it is.

The Air Force distribution system is not a static system, but is constantly being reviewed, revised, and refined to meet changes in Air Force needs, so that the Air Force may accomplish its mission in the most economical and efficient manner.

That is all, gentlemen.

(Whereupon, the committee recessed at 1 p. m., until 2:15 p. m., of the same day.)

AFTERNOON SESSION

(The subcommittee reconvened at 2:15 p. m., Monday, August 18, 1952.)

Mr. BONNER. Mr. Secretary, with your pleasure the subcommittee will reconvene and proceed.

Lieutenant General RAWLINGS. We have Mr. Cunningham, who will give us a little picture of our maintenance activities.

STATEMENT OF J. M. CUNNINGHAM, MAINTENANCE ENGINEERING DIVISION, AIR MATÉRIEL COMMAND

Mr. CUNNINGHAM. Mr. Chairman, subcommittee members, I am J. M. Cunningham, of the Maintenance Engineering Division.

Although we are aware of the fact that your subcommittee's principal area of interest lies with the supply system, we did think that since maintenance is certainly complementary to the services, the supply services, and one of the principal consumers of supplies, that you would be interested in a brief picture of the maintenance situation. Our purpose, then, is to state the maintenance engineering mission of Air Matériel Command, to outline its methods of accomplishment, and to describe our interservice relationships.

Basically, Air Matériel Command is responsible for insuring that Air Force weapons and equipment are maintained in a status of maximum effectiveness world-wide. To accomplish this mission, we must perform two main functions, the first of which is technical, and the second is production.

We are responsible for the development and direction of methods and standards by which the Air Force will maintain its weapons, the selection of the required tools and equipment and the correction of matériel deficiency.

Under the production function we are responsible for the direction of the Air Force maintenance depot echelons in production of reconditioned matériel. Under our technical function, our task starts when a new weapon is first designed, and lasts throughout its service life.

We work continuously during the development of production and service stages of each new weapon to insure maintainability. We develop the concept or plan by which a weapon will be maintained, and select equipment that will be needed for its support. We also develop the maintenance instructions and provide for their publication as well as determining modifications required for the correction of safety or mechanical deficiencies.

Our job in this area is most challenging and difficult of accomplishment due to the rapid build-up of the Air Force with newly developed, highly complex systems.

We have two major problems here: one providing tactical units with support equipment, and maintenance handbooks concurrently with the delivery of each new weapon to the service, and providing for the rapid correction of matériel deficiencies. Some idea of the magnitude of the problem is indicated by a brief comparison of present-day equipment items with their early counterparts. Since your time is somewhat limited, we won't go through the whole of this, but give you a brief picture.

First, the bomber situation:

In 1936 our first-line bomber was the B–18. It had a weight of 25,000 pounds and utilized engines having a total of 1,800 horsepower. Its contemporary counterpart today is our B–36, with a weight of 260,000 pounds, roughly 10 times the weight of the B–18, and the horsepower required to power this aircraft is 18,000 for the reciprocating engines, and when we add on the jet-assist engine, it brings the total to 42,000.

The speed of the old B–18 was 217 miles per hour, and with the B–36 we have 400 miles per hour plus. This has an additional significance. Obviously, when we began to go 400 miles per hour, it became extremely difficult for navigators and our gunnery people to exercise any type of thinking that fast; it is just beyond the possibility of the human being to plot gunnery courses or to navigate at that rate of speed. You would be there before you had it figured out. So we had to resort to electronic devices to do these things for man, and that, too, has complicated our picture.

Mr. BONNER. Excuse me. What is that? That is a B–29. And its speed?

Mr. CUNNINGHAM. That is 330 miles per hour, sir.

Mr. BONNER. And this [indicating] is 70 additional miles?

Mr. CUNNINGHAM. Yes, sir. Plus. And we think the exact plus would be a classified item, sir.

Let us take a brief view of the engine situation. R–1820 series engines of 1,200 horsepower was a generally used type in World War II. That is the engine, incidentally, that powered the famous B–17 airplane. It had 7,921 different parts.

The R–3350 engine, which was a later and the last, World War II development, had 19,000 parts, and 2,500 horsepower. We have finally gone to the R–4360 engine, which is the type that powers the B–50 today; it has 21,204 parts, and although everyone told us that the jet engine was going to be so simple, we find that the J–47 engine has 11,512 parts, and, as you know, its life expectancy is somewhat less than that we normally experienced with reciprocating engines.

We don't know what science is going to give us for our next jet engine, but we are sure that it is not going to be too simple.

Having looked at that picture of complexity, I am sure you realize that we in maintenance are confronted almost daily with new and changing problems. We are trying to cope with those, and to adjust ourselves with the times. An example of our continuous efforts improve Air Force maintenance techniques is illustrated by our jet engine minor repair program. I would like to digress for just a moment and to say that with the introduction of the new jet engine into our Air Force, we could see from the way they were holding up in the field that we were going to have to do something to reduce our logistics problem. The life of those engines was comparatively short. The immediate hope for correcting those difficulties lay with science, over which we had no control, and therefore we had to work out what seemed best, and within our own capability.

We thought that perhaps the way in which we could approach this most properly was to try to top-overhaul those engines in the field, and to replace those short-lived parts on the spot in lieu of returning them to the depot for that work. Our service test proved the feasibility of accomplishing this jet engine repair in the field, and during the service test period, 4,440 J–33 engines were removed. Fifteen percent required complete overhauling, and 85 percent could be continued in service, after minor repairs at base level.

This meant if we applied this thought of doing top-overhauling in the field to the maximum extent possible we could increase the life expectancy of an engine from, say, to 200 from 100, or that we might even be able to get it up to 300 or 400 or 500 hours, as we have done in many cases.

Obviously, these reductions in requirements for overhauling will also reduce pipeline requirements proportionately, and provide us with a net and satisfactory pay-off.

This program is being expanded to include all jet bases as rapidly as the engine tools and equipment become available. We now have this program in force at 37 stations, and I believe the ultimate figure will reach somewhere in the neighborhood of 90 stations.

The production function which I mentioned earlier involves the business of producing reconditioned articles. Essentially this consists of the major repair and complete overhauling of aircraft engines, instruments, and so forth, for use and reuse throughout the Air Force and Department of the Army.

The following facts illustrate the scope of the depot maintenance function: For the fiscal year 1952, our depot system overhauled or modified 4,166 aircraft; overhauled 28,863 engines, and overhauled 4,526,000 items, such as instruments, radios, generators, spark plugs, pumps, airframe parts, and so forth.

To accomplish this task, 88,308 people were employed at a cost of $322.5 million labor dollars. The economy of this function is indi-

cated by the fact that the cost of overhauling amounts to only 17 percent of the cost of a new article.

Mr. BROWNSON. Are the bulk of these people employed, civilians?

Mr. CUNNINGHAM. That is correct; that includes our contract support as well as our own depot.

Our basic concept in the past has been to fully perform this entire job within the Defense Departrment. We have, however, changed this concept recently to include the utilization of commercial sources both within the zone of interior and overseas. The adoption of this concept has been based on the following:

1. That the peacetime Air Force does not have the high attrition rates of a wartime operation, and the depot maintenance workload generated by a large peacetime Air Force cannot be supplied within existing Air Force depots and again commercial maintenance sources are available.

When the peak production period of our prime manufacturer is passed, the capacity that will be available must be utilized for maintenance in order to retain a manufacture potential in the event of war. Accordingly, we have implemented a program of contract maintenance. This program utilizes commercial maintenance facilities for the overhaul of all common commercial type articles such as office machines, watches, furniture, and so forth.

The program utilizes prime manufacturing facilities for the overhaul of new combat and complex equipment such as radar, jet engine, armament systems, and so forth. Foreign commercial capacity overseas to the extent feasible for support of Air Force and MDAP requirements are utilized. This leaves us a nucleus of insurance capability within our depot system.

An additional item of consideration is our interservice relationships, of Navy-procured items. Boats generate the principal maintenance workload, and depot support of boats is almost entirely accomplished by contractual maintenance with civilian agencies or Navy establishments. Air Force depots provide only an emergency support.

Army-procured items receive their depot support from Army depots. One exception to this rule is the Air Force commercial type vehicle fleet for which depot support is provided by local purchase arrangement. Although these vehicles are Army procured, it has been agreed that it is more economical for the Air Force to obtain required depot support by local purchase arrangement with small business enterprises near our air bases utilizing GSA schedules. This policy eliminates pipelines and reduces facility requirements.

Our AMC bases also participate in local cross-servicing arrangements, providing essential services, or utilizing the services of other departments as may be most economical.

In summary, then, it may be said that maintenance of Air Force equipment is a large and complex task. The increased utilization of available contractual assistance has materially reduced Air Force requirements for the construction of additional depot maintenance facilities.

Facilities and services of other departments of the Military Establishment are being utilized. It is our policy to expand such utilization wherever possible. Are there any questions?

NATURE OF ENGINEERING CORPS

Mr. BONNER. Your engineering corps is simply a technical engineer corps?

Mr. CUNNINGHAM. That is correct, sir, concerning itself primarily with "fix it" type engineering.

Mr. BONNER. Do you have a construction engineering branch here?

Mr. CUNNINGHAM. No, sir.

EQUIPMENT RECORDS

Mr. WARD. I would like to ask you a question about your equipment and maintenance records. Do you maintain individual equipment records where you keep track of the failures of different parts, so that you have some experience data to rely on?

Mr. CUNNINGHAM. Very definitely.

We think our UR or "unsatisfactory report" system is one of the finest things in all of the services. We encourage all activities to submit a report of any failures or difficulties they experience. We have a system here of referring those to our engineering people for the preparation and development of a fix, and then we issue those in the form of technical instructions to the field.

Mr. Ward. Do you keep an individual equipment record?

Mr. CUNNINGHAM. You mean on the individual item?

Mr. WARD. Yes.

Mr. CUNNINGHAM. Well, on our airplanes, we use our 60–A and B.

Mr. WARD. Do you have that for all of your motor equipment, too?

Mr. CUNNINGHAM. Yes, sir; they do in the field. If you would like to go through that we would be very happy to arrange a shop tour.

Mr. CURTIS. Do you have engine logs and airplane logs?

Mr. CUNNINGHAM. Yes, sir.

Mr. WARD. That answers my questions.

Mr. BONNER. In a case where you had a crash landing, and the plane is destroyed, what do you do? Do you go out and try to ascertain the reason for the loss of the plane?

Mr. CUNNINGHAM. Very definitely.

Mr. BONNER. What do you do then? Just what do you do?

Mr. CUNNINGHAM. We have accident investigation boards, that are appointed, that examine all of the evidence in regard to the crash.

Mr. BONNER. Do you take the plane apart?

Mr. CUNNINGHAM. If necessary; yes, sir.

Mr. BONNER. What would determine whether it was necessary?

Mr. CUNNINGHAM. Well, if there were no living crew members, this investigation board would go out and investigate it, if there were no living crew members to report what had happened.

If two or three fellows parachuted out and said: "Well, such and such happened," and the rest of the thing were over there in a pile, well, I am sure that would probably be sufficiently conclusive.

Lieutenant General RAWLINGS. Mr. Chairman, to elaborate on that, they do try to look through the debris to find out if they can determine what caused the accident. This little incident you mentioned to me, I would like very much to have the facts on that.

Mr. BONNER. The General reads my mind.

Lieutenant General RAWLINGS. That is the purpose of this group: to try to go in and find exactly what caused the accident, and then we issue a finding of facts as to what caused it, what the fix is, and then issue technical instructions so we can overhaul the item, and in some cases it might be serious enough where we will ground all aircraft that have had that particular item in it, until we can be sure it has been corrected.

Mr. BONNER. I wasn't asking in any spirit of criticism at all. The incident was called to my attention where this plane crashed, and both pilots were killed. I don't know the particulars in the matter, but I happened to go to a little repair shop, and this boy in there was one of these jacks-of-all-trades. He did a lot of this, that, and the other, and this plane was sold to a scrap dealer, and this boy went out and bought some of it, and it was taken to pieces, and he showed me something about it, but I don't know just the technical aspects of it.

I was wondering whether, in these crashes, you took the plane to pieces to try to determine what caused the accident, where there were no living witnesses to the cause of it.

Evidently in this case the investigation didn't go too far; so, that is the only reason I was asking the question.

Lieutenant General RAWLINGS. They try to go just as far as they can.

Mr. BONNER. That is beyond and outside the scope of our inquiry, since this is more or less in your field, and I was just trying to find out just how far you do go.

Mr. CUNNINGHAM. You may be also interested in the fact that we have our safety people, who are constantly striving to find the causes of our accidents, and we in maintenance are continually striving to make our airplanes safer, wherever we can find an improved method of correction.

Mr. CURTIS. When you send a plane in for repair, is the equipment aboard that plane inventoried? In other words, does it go in with all the equipment it normally has?

Mr. CUNNINGHAM. If the plane is to be returned to its organization, and if it is a repair for the return to reuse, we ask them to minimize the amount of equipment they send to the depot. You are perhaps familiar with our Form 263.

Mr. CURTIS. I don't know what that form is; no, sir.

Mr. CUNNINGHAM. And, of course, the more equipment they bring in to the depot, the more the storage problem we have while we are working on it.

We have to get those things out of the way to do our work; but, if the plane is to be reassigned somewhere else, the airplane is shipped to us complete, and we maintain the records on the equipment.

Mr. CURTIS. With all the equipment aboard?

Mr. CUNNINGHAM. Yes, sir.

Mr. CURTIS. One source of considerable loss that we found in the last war was in the transfer of aircraft for maintenance. The equipment, particularly the loose equipment that was aboard, would disappear, and I was just curious as to what system you had for that.

Generally, do you not try to strip the plane down when it goes into maintenance for overhauling? Does the squadron itself keep the equipment on hand, or is it returned to stock?

Could someone answer that for me?

Mr. CUNNINGHAM. You are assuming that the airplane comes to the depot complete.

Mr. CURTIS. I am asking you really what your procedure is.

Suppose you have an airplane in the field fully equipped with whatever equipment you say is necessary to make it combat ready, and that plane has to go back to maintenance for correction of, say, some serious matter, and it goes out of the hands of the squadron; what happens to the inventory aboard the airplane? Is it kept intact?

Mr. CUNNINGHAM. It is kept intact, at the base level. They ordinarily have a place where they keep equipment that may not be in current use.

For example, they might not be using our long-range fuel tanks for routine missions, and they would store them if the airplane goes to a depot, and is to be returned to the same organization; they would not bother to ship that item along with the plane. They would ship the airplane to us with a suitable entry on Form 263 to indicate they had retained the item.

Lieutenant General RAWLINGS. I believe this question is pointed toward this form we use to list the items of equipment with the airplane, and a physical check is made when it comes in.

Mr. CURTIS. What I'm trying to get at is whether or not this is another place where we have equipment actually in inventory that would be another cushion. Sometimes you send a plane in for overhaul and then the overhauling unit will reequip it again and send it out.

Lieutenant General RAWLINGS. Yes. If your records were not correct, that is possible.

I would say that is not likely to happen.

Mr. CURTIS. That is where a lot of this stuff can get lost, and has been lost in the way of plane equipment, and most squadrons are always kicking about the fact that they get another airplane from another squadron if they do transfer them without a full inventory aboard.

Those items that can be removed get away.

Mr. CUNNINGHAM. I think I know what you are talking about, Mr. Curtis. Here is what happens if the airplane is transferred: Even though they know it is coming back to the squadron, the receiving activity makes a physical inventory of the airplane as received. This historical record I referred to as the Form 263 reflects the actual inventory of items as is. In other words, if the fuel tanks, for instance, have been left behind, the Form 263 shows that. Then, if the airplane should be reassigned to somewhere else, the historical record of the airplane will show where those fuel tanks are being retained, and the supply department would ask that activity to ship those to them for use on this airplane.

Mr. CURTIS. I see.

STATEMENT OF MAJ. GEN. C. A. BRANDT, DIRECTORATE OF MAINTENANCE ENGINEERING

Major General BRANDT. I am director of maintenance engineering, Mr. Ward. You asked about the log on certain equipment. We are expanding the keeping of logs on more equipment now in the interest of economy. We are keeping logs in a great many more components

of the airplane to the end that we get the maximum utility out of it, and don't automatically overhaul them at the time the airplane is overhauled.

We think there are big savings in the pipeline and in man-hours, and in keeping over-all experience records on these expensive items.

Mr. WARD. But it does give you an experience record with respect to replacement, maintenance, failures, etc.

Major General BRANDT. Yes, sir; that's right.

Lieutenant General RAWLINGS. One of the important features of that program would be—let's say you have got a fire-control system in the airplane, and maybe something went wrong with it, and it was replaced.

If you didn't keep an equipment record on that fire-control system, it is conceivable when the airplane got to the depot you might overhaul the fire-control system as well as the airplane, because you would think it was the same age as the airplane, and it actually could be new.

In expanding these component logs to take in the high-cost items, I would say it is an expensive system, and you can't go too fast, but on high-cost items we are working it up.

Major General BRANDT. They also apply not only to equipment but to actual parts of the airplane which we didn't log before.

The aileron actuating motor of a modern fighter is a very expensive piece of equipment, and it might have been replaced less than a week ago, prior to the airplane being overhauled.

Under the old system it would not have been logged. We insist now that it be logged.

Mr. CURTIS. That is very similar to the instruments on your engines.

Major General BRANDT. Yes, sir; that's right.

Mr. BONNER. What part of the life of a plane is taken up in maintenance repair, approximately?

Mr. CUNNINGHAM. For combat airplanes it is a little hard to say; we expect on cargo type 7 or 8 hours' utilization out of 24. I just can't tell you, sir, exactly what we can expect out of the combat type; they vary from type to type.

Lieutenant General RAWLINGS. Say it has a life of 5 years; how many months or years out of that is spent in maintenance and not in operation?

Major General BRADLEY. About the best answer we could give to that is that our people feel they are doing pretty well in a combat organization if they are able to maintain 75 percent of their equipment combat-ready.

That would mean 25 percent is out all the time.

If you are to go on 25 percent of the life, you would say that is about the time that is spent in maintenance. That may be inaccurate, but I don't know of any other way to approach it.

Lieutenant General RAWLINGS. We have Mr. Dahm, who will give a picture of our cataloging program.

STATEMENT OF C. L. DAHM, CIVILIAN CHIEF, SUPPLY CATALOG DIVISION, DIRECTORATE OF SUPPLIES AND SERVICES

Mr. DAHM. My name is C. L. Dahm, Civilian Chief of the Supply Catalog Division, Directorate of Supplies and Services.

I have broken this presentation down into three areas. First, I shall give you a brief description of the Air Force catalog system;

secondly, I will bear on our degree of participation in the Federal catalog system; third, what we are doing with relation to the Army-supplied items with respect to identification.

AIR FORCE CATALOG SYSTEM

The Air Force has had a supply catalog system since the days of the early 1920's, to support the single Air Force supply system.

Basically, this system provides for a single supply language for all Air Force-supplied items. It provides for a positive identification, Mr. Chairman, of the items upon initial research. That identification is made at the time the item is incorporated in an authorization table.

In the case of spare parts, that identification is performed at the time of our provisioning conferences; that is, the conference member here arranges for the conference in which we have maintenance personnel attending, supply requirements people, and many depot-maintenance personnel in attendance, and generally the major air commands, and the unit which is to get the equipment, they are represented together with a procurement representative.

These items are identified in all cases to the applicable Government specification where there is one. In the absence of an applicable Government specification, we identify them to the manufacturer's name who controls the design of the article.

That, together with the essential characteristics of the item, constitutes the item description. These items are further researched prior to being placed into the catalog by interchangeability technicians to see whether we already have the item in the system, or have a completely interchangeable item, or a substitute item in the system.

The items are then classified in accordance with our single classification system, through which we group related items for management purposes, breaking the workload into manageable sections.

This identification data, together with certain stock-control, storage, issue, and requisition information, is published in what we call our supply catalog. It is divided into sections or pamphlets, which are based on the classification system, one section for each class of property.

Essentially, this system compares very favorably with the Federal catalog program.

With regard to Air Force participation in the Federal cataloging program, the Air Force has contributed in the development of basic policies, rules, and procedures of the program since its inception back in 1948. We are continuing to participate in the development of changes in these policy rules, and procedures, as they occur.

Likewise, we have participated in the development of what we call the cataloging tools; the selection of the item names, the definition of those items, and development of description patterns, which you use to form your description.

Under these and through these tools the Air Force has described and introduced into the Federal catalog to date approximately 500,000 items. In the utilization of Federal catalog data, all of the new items coming into our system today we describe in accordance with the rules promulgated by the Federal cataloging program. Existing descriptions in our catalog are changed to conform to the Federal catalog descriptions on a program basis. When we schedule a revision

to a particular section of our catalog, we naturally convert the description to conform to the Federal catalog language. The Federal items' identification numbers which are promulgated for the description of the items we have cross-references to Air Force stock numbers in a series of cross-reference indexes.

Through these indexes we provide to our field activities, depots, and so forth, this cross-reference data both from the Federal number to the Air Force number and from the Air Force number back to the Federal number. Through these you can reference Federal identification number in interdepartmental purchase requests, and also on agencies' surplus-property lists which are screened by the various departments.

Through these indexes, we give—to the extent that the language is developed—this information, and it is utilized between the departments to get a firmer fix on the identification of the item.

We also utilize the Federal item names in the titling of our specifications and drawings. For instance, when the items come into the system we will give them the name as provided for here in this program; and, therefore, we insure it will carry that name from the time of its inception into the supply system until the time it goes out the back door through disposal channels.

With regard to the items supplied to the Air Force by the Army, we undertook an identification project back in the early days of 1950. We knew there were a number of duplications or interchangeable items between the two services. Through this research we have found that 78,600 items which the Army was supplying to the Air Force were duplicates or interchangeable with items already in the Air Force supply system. We also found that two or more technical services of the Army were supplying us a total of 33,400 items for which we didn't have a counterpart item in the Air Force system.

For instance, the Ordnance and Signal Corps were supplying us the same hand tools, but the Air Force supply system did not have that item. These are statistics gathered as of June 30 of this year.

This cross-reference data that is developed is then published in a series of catalog cross-reference indexes, and we direct all of our supply activities throughout the Air Force to consolidate like stocks under one number, and thereafter requisition them under that number.

In the case of a duplication between the Army and Air Force bases requisition on the Air Force for the item; and, in the case of duplication between two Army services, we select what we call a continuing source or service which in the future will supply that item to the Air Force.

Through that action duplicate stock-record cards are eliminated; repetitive research is eliminated; some substantial warehouse locations are reduced; requirements, computation, and procurement actions are consolidated, and erroneous disposal actions are prevented.

That is all. Are there any questions?

Mr. CURTIS. Have you attempted to put any of the information on your cards than just the stock number?

For example, on interchangeable items, wouldn't you put that on there, and whether it could be locally procured?

Mr. DAHM. In the supply catalog there are 89,000 items, which was brought out this morning, which call for local purchasing.

Mr. CURTIS. There would be a notation on your card that was the case?

Mr. DAHM. That's right.

Mr. CURTIS. One other thing: How about local fabrication?

For instance, in matters of maintaining spares, where your own shops, perhaps at a base, could fabricate that part.

Would that be indicated on the card?

Mr. DAHM. Yes, sir; that is a repetitive-required item, which maintenance feels the best source is through local manufacture, and it is so designated in the supply catalog. Rather than the bases requestioning it, they fabricate it themselves.

RELATION OF PUBLIC LAW 436 TO FEDERAL CATALOG

Mr. WARD. I would like to ask you these questions:

Under Public Law 436 just recently passed, has the military decided to develop a military catalog, ignoring the Federal aspects of the catalog? That would have a bad effect upon your procurement from GSA; wouldn't it?

Mr. DAHM. In a sense. Actually, most of the items that exist in the civilian agencies to the extent we would utilize them are common to the military services, and they will be taken care of in the Federal cataloging program.

We are developing item names and description patterns which will then furnish for us a uniform language, and a great many or most of those are already developed through the program.

As far as detailed descriptions of all the items, that hasn't been done by the civilian agencies yet; but, on the other hand, the military services are describing those same items to a large degree. There is not too much loss by the elimination of the civilian agencies——

Mr. WARD. How about the disposal program which is handled by a civilian agency?

Mr. DAHM. Naturally, the data developed by this program through the military services will be available to civilian agencies, and we are expressing the Federal language, and Federal item-identification numbers, on our surplus-property lists, as they are screened through by the civilian agencies.

Mr. WARD. But, if the civilian agency doesn't speak the same supply language, you won't have a meeting of the minds; will you?

Mr. DAHM. I don't know if the civilian agencies will be able to, since this development here just this summer. Whether they will continue to the extent that they can cross-reference their items to the Federal language, I don't know.

I understand they have been hit pretty severely in funds in that area; but to what extent, I don't know.

Mr. WARD. Thank you.

Mr. CURTIS. In the actual catalog that will go out in the field, do you use picture cataloging?

Mr. DAHM. We do, particularly on the common category of items.

Mr. CURTIS. How about maintenance spares for airplanes, for example?

Mr. DAHM. We have a parts catalog which we consider in the Air Force primarily a maintenance job; it is not a supply-catalog job, as it is there in the Army services or the Navy bureaus.

Mr. CURTIS. Does that include pictures or drawings?

Mr. DAHM. Yes, sir; breakdown lists of the items with illustrative drawings and photographs.

Mr. BONNER. Is the emphasis in your cataloging system placed on new items coming in, or items of stock?

Mr. DAHM. New items. They have first priority always; the idea being to get the item identified at the time prior to procurement or, at least, prior to the item being delivered to the supply services.

NEED FOR LOGISTICS COMMAND IN ALASKA

Mr. BONNER. I want to ask the Secretary one other question:

Are there any steps under way to set up a joint logistics command in Alaska?

Mr. GILPATRIC. There is a unified command there now.

Mr. BONNER. Yes, sir; but we visited there, Mr. Secretary. I just ask are there any steps under way to effect a joint logistics command in Alaska?

Mr. GILPATRIC. I don't know of anything planned beyond what has already been done.

Mr. BONNER. I think this committee was rather disappointed with respect to that on our visit to Alaska. We expected to find a joint logistics command there, and we didn't find it.

Mr. GILPATRIC. I frankly think that area is one we have got to do more about. We first think that the first real effort in that direction is this European Logistics Command, and I think it has to be followed elsewhere.

In fact, in these new regulations which we were discussing at lunch, there is a directive to that end. I think Alaska would be a very good place to introduce it, because there is a unified command, which is working well from an operational standpoint. I don't know why we couldn't carry that same spirit and endeavor into logistics.

Mr. KENNEDY. The subcommittee observed the operation of the Japanese Logistical Command and recently the newspapers carried a story of the establishment of a logistics command in Europe. Mr. Bonner's question was aimed at departmental thinking along the lines of possibly logistic support in the Alaskan area, where they now have just operational unification.

Mr. GILPATRIC. I don't think the Joint Logistics Chiefs have come up with any plan. I certainly feel we ought to press it, and we in the Air Force will initiate it.

Mr. WARD. I wanted to add to Mr. Bonner's thought, there. When we were in Alaska last October, we found that the Engineers, as near as we could tell, had about $100 million inventory. We couldn't find what the other services had readily, but they are very large inventories.

Mr. GILPATRIC. You mean construction equipment.

Mr. WARD. Various things that they carried, but there is little cross-servicing between them. Each would go back to the States to fill orders, rather than go across the street to another service. The freight rates are so high to Alaska it looks like that would be a logical place to do the same sort of thing that has been done in Japan.

Mr. GILPATRIC. You are certainly right; that would be foolish.

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Mr. KENNEDY. The reason the question was asked the other two areas the Army had primacy mission, whereas in Alaska the Air Force has it, and it would appear that possibly the Air Force should be the initiator.

Mr. GILPATRIC. I think that is true.

In the particular area of Engineers, of course, we don't usually look to the Army engineers; we will continue to for construction, but we still have basically some of the same equipment.

I will be glad to report to the subcommittee on what we do about that.

SPECIFICATION FOR AIR FORCE CLOTH FOR SHIRTS

General Rawlings, I wonder if you would care to comment on newspaper articles which I read a couple of weeks ago. It was concerning the $19 million worth of cloth because of an error in ordering an item No. 84 when it should have been 83.

I believe the article says that millions of yards of cloth had piled up here before it was discovered that it was not the correct shade, $19 million worth.

Lieutenant General RAWLINGS. I believe General Parker has the details on that. This material that is being talked about is not material that is not usable. I think General Parker has the details on that.

Brigadier General PARKER. I don't, General Rawlings, myself. Of course, I have heard of the problem. Perhaps we have someone here who does.

Maybe Colonel Light can help us with that.

STATEMENT OF COL. LESTER W. LIGHT

Colonel LIGHT. I heard about this Friday, and the only item that we can tie that $19 million figure to is the flannel shirting.

We did buy $19 million worth of cloth, and it is presently being made up into flannel shirts. True, it is a little different shade, but it is a standard shade; it is not an off-shade, and it is prescribed material for troops in the field.

Lieutenant General RAWLINGS. And is being used?

Colonel LIGHT. Yes, sir; and it is being used.

I have asked our clothing chief to run it down for me, and he substantiated just what I have stated. That is the only $19 million that we could tie down to, and we would buy that much cloth for shirts.

Mrs. HARDEN. Was there any thought of not using it at any time?

Colonel LIGHT. No, ma'am.

Mrs. HARDEN. Thank you.

Mr. CURTIS. General, there is here one very broad field that has not been touched upon—perhaps it is going to be—and that is the field of surplus property, and also salvage.

What sort of set-up do you have on that?

Lieutenant General RAWLINGS. Colonel Packard, who made a presentation this morning, does have a presentation—if you would like to have it—on that subject.

We didn't prepare it here, but we have such a presentation if you would like to see it.

Mr. CURTIS. We are very much interested in that phase of it.

AIR FORCE SURPLUS DISPOSAL PROGRAM

Colonel PACKARD. The Air Force realizes the necessity for and the advantages of disposal of obsolete or numerically excess property, which requires warehouse space, personnel, and maybe usable by other agencies.

As a result of World War II, the Air Force eliminated from the supply system property estimated to be about $13 billion.

Approximately $11 billion was reported to either War Assets Administration or to foreign liquidation commission.

Property valued about $2 billion was disposed of by the Air Force as either scrap or salvage.

The Korean situation resulted in restricting Air Force disposals between July 1, 1950, and July 1, 1952, to the following category of supplies:

Normal housekeeping waste, obsolete property, property beyond repair, and operationally unsafe property.

We did not go beyond these categories in supply until such time as we could determine what airplanes and to what extent we would need them in the Korean war, and what quantity of supplies we could safely dispose of at that time.

New disposal criteria now being implemented will extend disposals to the following categories of property: budget, operation, and mobilization programs, and inventories must be taken into consideration; quantitative excesses will be generated as a result of this criteria.

I will briefly run through the criteria so you may get some indication of the type of property that we are thinking of disposing of, and the criteria for disposal:

The first items are World War II active aircraft parts and engines now in use. The criteria will be the requirements for retention computed by applying current consumption against largest annual program projection times 5 years.

For post-World War II aircraft parts, and engines, those that have been developed since World War II, disposal will be limited to aircraft with retirement dates on basis of wartime utilization rates, and peacetime attrition rates.

For storage aircraft, earmarked for war reserve, entirely, World War II type or earlier aircraft, requirements for retention will be computed to support peak aircraft assignment at maximum utilization rates established in war-planning studies.

Then for World War II military items not having application to aircraft. Disposal action may be taken on old items when new or replacement items are available which, with old items, exceed total mobilization requirements, or where quantities of items exceed total mobilization requirements.

For commercial-type items in our system, disposal action may be taken when no issues have been reported in excess of 3 years, provided there is no anticipated requirement.

Also, if storage life is less than 3 years, and quantities on hand exceed 150 percent of annual requirement times the storage life.

That, basically, is the criteria as we are now implementing and screening of all of Air Force property against.

The Air Force believes in and practices utilization of and redistribution of excess property.

Items appearing in an excess-stock position not necessarily excess to Air Force requirements and which can be utilized by Air Force contractors for incorporation in complete articles currently in production are offered to the contractors with resultant reduction in contract price.

Public Law 152, Eighty-first Congress, governs Air Force disposal of excess property.

PROPERTY REDISTRIBUTION IN ZONE OF INTERIOR

Redistribution is accomplished within zone of interior by reporting Air Force express surplus matériel to the Surplus Matériel Division, Department of Defense Agency; General Services Administration regional offices, Department of Navy for that aeronautical property which we have, Civil Aeronautical property which we have, Civil Aeronautics Administration for aero property in excess, and all Government agencies within a minimum of 50-mile radius of the location for local distribution prior to going to a major geographical distribution. Donation is accomplished through General Services Administration, and through the Federal Security Agency. The Air Force policy for foreign excess property is as follows:

Redistribution to Government agencies within the theater; second, automatic return of critical items to Air Force depots in the zone of interior; the balance reported through the Air Matériel Command to Surplus Matériel Division, or Aviation Supply Office of the Navy. The residue is disposed of in accordance with theater policy and in coordination with the United States Department of State.

The sale of property is the last resort.

Under the restricted disposal program between January 1, 1952, and June 30, 1952, that was after we had applied our criteria—our Korean criteria—Air Force excess property operations in the zone of interior reflected in acquisition costs and tons amounted to $1,769,000, or approximately 600 tons, were redistributed within the Department of Defense agencies; $3,654,000, or approximately 1,218 tons, were redistributed to other governmental agencies, and $1,386,000, or approximately 462 tons, were donations.

$1,400,000, or approximately 335 tons, were abandoned or destroyed due to safety factors or lack of market. $51,744,000, or approximately 17,000 tons were sold.

Mr. CURTIS. What was realized from these sales; do you have that?

Colonel PACKARD. I don't have that here.

Mr. CURTIS. Do you know roughly or generally what it would be?

Colonel PACKARD. No, sir; I would hesitate to give you that. I could furnish that, if you so desire. (See p. 78.)

Mr. CURTIS. Well, yes.

Colonel PACKARD. Our total disposals were $59,558,000, or approximately 19,000 tons, during the period of January 1, 1952, to June 30, 1952.

The Air Force obtained excess property from other agencies amounting to $17,303,000, as a result of screening their excess.

The utilization and redistribution of Air Force excesses are limited by the special nature of the Air Force type of property.

Eighty percent, dollarwise, is usable only on or with aircraft, and is not applicable to general usage. There are a few common Air Force,

Navy, and CAA aircraft. Due to conditions of wear-out, wreckage, or cannibalization for parts, the property can only be classified as scrap or salvage. Among the factors which we think will prevent repetition of the confusion and waste resulting from World War II demobilization is the program to establish Federal identification numbers for all Government property which will enable and permit Federal agencies to better identify property and fill requirements from Government excesses. Uniform method and procedure for redistribution of excesses and control of disposal are provided for by Public Law 152 and GS Regulations and are now in operation in the Air Force.

Although it must be realized by all elements of the Federal Government that time and preparation are necessary to effect an orderly planned reduction of inventories taking into consideration our quantity requirements and future programs.

Mr. CURTIS. And you gear this information into your usage figures?

Colonel PACKARD. Yes, sir.

Mr. CURTIS. That is extremely valuable, I would say.

Colonel PACKARD. Yes, sir.

Mr. WARD. With respect to the $51 million of the $59 million that you disposed of, was that classified as salvage generally?

Colonel PACKARD. Not entirely, Mr. Ward. Most of it was salvage, but other items were usable, and they were sold to the general public as useful items.

Mr. WARD. They were first declared to General Services?

Colonel PACKARD. They went through the entire cycle of the General Services Administration, and all departments of defense agencies for screening, and they were also screened for donation to public agencies and agencies associated with the Government, and after that they were determined to be either scrap or salvage, based upon the usefulness to the civilian economy; and, if we could get a greater return out of them through a useful sale, we would. Otherwise, it was sold as scrap.

DONABLE SCHOOL PROGRAM

Mr. WARD. Is the donation program going satisfactorily, so far as you know?

Colonel PACKARD. Yes, sir; so far as we are concerned, it is.

Mr. WARD. You wouldn't suggest any changes in either the legislation or the regulations?

Colonel PACKARD. We have had no difficulty with it, Mr. Ward, and we find we are able to move our property within a reasonable length of time, considering the screening that is necessary, and we believe that greater use is coming out of the properties than has heretofore been possible.

Mr. WARD. You think it is better to dispose of it that way than by sale?

Colonel PACKARD. Yes, sir; I do think so.

Mr. CURTIS. Once you have gone through this screening process to determine whether it is in excess or not, the fact that you don't get a good price on it doesn't stop you from going ahead and getting rid of it?

Colonel PACKARD. No, sir; it does not.

Mr. CURTIS. I was going to comment, when I raised the question: I wasn't interested in the sale of that property in relation to your

acquisition; I wasn't asking for that information in any critical sense, but I personally believe it is cheaper to get rid of whatever you can, but I was interested in what the percentage might be.

Colonel PACKARD. We can give you a general percentage. Of course, I am sure you recognize it varies sometimes from 100 percent return on the items to sometimes very little.

(The matter referred to is as follows:)

For the last half of fiscal year 1952, the average return from sale of the remaining surplus AF property which could not be used by any other Government agency was approximately 5 percent of the acquisition cost of $51,744,336.00. The majority of the material sold on this basis was for scrap or salvage only.

It is very true that the cost of handling and the storage and manhours that go into the recording of it are sometimes more costly.

Mr. CURTIS. Our own industry and our own retail stores realize that when they conduct a sale they may sell at a fractional amount of the original cost. They take the loss as soon as possible.

Colonel PACKARD. However, prior to our disposing of anything either as waste or dumping or burying it or abandoning it, we must go through many procedures such as advertising it in the newspapers for a certain number of times, as to the property for sale. We have even offered it for donation for any purpose whatsoever prior to disposing of it.

Mr. ROBACK. Can we get some information on how much of the property that is classified as excess is contractor-owned as compared to Government-owned property; you may know General Metzger appeared before another subcommittee of this committee some weeks ago, and there was some discussion of the magnitude of the problem of redistribution of excesses. The difference between contractor-owned and Government-owned property might make a difference in the problem that the Air Force would be confronted with.

Colonel PACKARD. All property I have referred to here is completely Air Force-owned.

Lieutenant General RAWLINGS. I believe, sir, if I may answer that question, that may tie in with a redistribution program that we had during the last war in the aircraft industry, and Congressman Holifield, I believe, had some sort of a hearing on that, and we have General Metzger, who is not here, but if you are interested in that we would be very glad to have him come over and talk about that. That program basically is one that was designed to take excess of material that build up in a contractor's plant of aircraft quality materials and get them into production usage before the material had no further use.

During the war it was not nearly so complicated because primarily all of the material belonged to the Government, and now a number of those materials belong to the contractor. So it is a little more complicated in getting it distributed and redistributed within the industry. We think, however, that it is a very worth-while program because it means we are not chewing up critical materials; we are using production materials while they are usable when somebody else may be buying the same thing where he has a requirement for that type of material, whereas the man who currently has it has had an engineering change, or something like that——

Mr. ROBACK. Representations were made to the subcommittee that excesses were piling up in contractors' plants, and were a block in efficient redistribution, so the question arose, and it was not resolved

at that particular hearing as to what extent these materials were contractor-owned, in which case presumably they would have their own responsibility for redistribution, and the Government would not be able under the contractor's release to organize that redistribution. Perhaps you might explore that and get some information by tomorrow.

Mr. CURTIS. You recall that hearing.

Lieutenant General RAWLINGS. I would be glad to have the general go over the details of that with the subcommittee or with the staff—any way you would like to do it.

Fundamentally what we would like to do is to change the system for using up the materials. We have no production program.

Mr. ROBACK. One little point of information there, General Rawlings: In your initial presentation you made reference to the Aircraft Production Resources Agency, which I believe General Metzger is the head of, and I think you mentioned that that was under the Munitions Board. Did you make that statement?

Lieutenant General RAWLINGS. Yes, sir; it operates under a charter of the Munitions Board.

Mr. ROBACK. Does the Munitions Board have cognizance over that particular activity?

Lieutenant General RAWLINGS. That is a very complicated subject. The operation is conducted on a joint basis between the Air Force and the Navy. There are a number of Navy personnel in the operation, but we actually have the responsibility for the manning, and so forth, of it. But the charter that set it up was a Munitions Board charter.

Mr. ROBACK. The reason I raised the question was that when this tentative proposal of the Aircraft Production Resources Agency for working out some kind of redistribution system which would utilize private distributors' sources was presented to the subcommittee, the Munitions Board representative said that was the first time they ever heard of it.

Lieutenant General RAWLINGS. I believe the facts are that the proposal was made to the Munitions Board, and then this hearing was called that we had nothing to do with—we were just called as witnesses and testified to what the facts were—and I am sure that you will find that the proposal was in fact—I know it was made to the Munitions Board.

Mr. BONNER. Any further questions, gentlemen?

Mr. CURTIS. Is this base here a depot, too?

Lieutenant General RAWLINGS. No; it is not. We have no depot activity here.

Mr. CURTIS. It used to be during World War II?

Lieutenant General RAWLINGS. Not during World War II, but earlier, when the original base was developed at Wright Field, it was a research and procurement headquarters for the Air Force, and Fairfield depot, which was Patterson Field, at that time was actually a depot, which was described to you today.

When the war came along the expansion requirements for the headquarters supplies was such that they discontinued the depot. I don't remember the exact dates, but it was discontinued as a depot, and the entire activity is now involved in support activities—in research and

development and procurement maintenance and supply support activities.

Mr. CURTIS. You do have some operating squadrons to support?

Lieutenant General RAWLINGS. Perhaps we had better discuss that off the record.

INVENTORY CONTROL BY ELECTRONIC DEVICES

Mr. WARD. General Rawlings, do you have someone here who can describe what you are doing, if anything, with respect to the use of electronic equipment for inventory control?

Lieutenant General RAWLINGS. Yes, sir; we will have General Baker here, and any of his people he may need. General Baker is the Comptroller of the Air Matériel Command, and has the responsibility for working out the technical procedures and services, and so forth.

To go back just a little bit, a number of years ago when I was Comptroller of the Air Force, I got into the electronics field with the general idea of speeding up the processing of data in large volume so that we could shorten this programing cycle, which was very complicated and involved. We worked out the development along with the Bureau of Standards which is now in operation in the Pentagon. On that phase of the program, we have extended that to try to work out something in the logistics field where we could speed up the handling of all of the controlled information inventories and information essential to the speeding up of this over-all operation. We have Remington Rand Corp., which has done considerable work in this field, and who developed this Univac, take a look at our system, and they are currently studying it.

We are looking at it to see whether or not it might help us. Also International Business Machines is working in the same area, and they are making a study of this at this time, of our over-all system, and we want to try to get the best answers we can get in terms of doing this particular job.

Mr. WARD. Thank you.

USE OF REVOLVING FUNDS

Mr. CURTIS. I would like to get the general's views on the use and effectiveness of this revolving fund for stock control. We did a little appropriation cutting on that in Congress, and I am thinking, at least in my judgment, that we may have been wrong on it. But I would like to get your comment on your opinion as to the effectiveness of using that method of stock control.

Lieutenant General RAWLINGS. I am one of the individuals who think the stock fund operation has some great possibilities, and we are using the stock funds in the area of our clothing operation.

We are using one on POL, which has just started, that is the petroleum products, and we are studying other areas. The problem that we have is that we can make much better use of that kind of operation if we have monetary accounting of supplies, which we do not have.

We have historically always had item accounting, so that in order to make maximum use, we have to develop that and we are working on that program.

Secondly, it is like so many of these devices which of themselves will not do a job without people. You have to have some people who

understand it, and know how it is used, what its limitations are, and that sort of thing. We have quite an educational program to do certainly within the Air Force, toward the proper utilization of stock funds for management purposes. I am sure it is going to be very helpful to us when used along with item accounting.

I think we will be able to get some very great results with it, and that is our purpose.

That is what we are working on. It is a problem of the time it takes to get your people trained.

Mr. CURTIS. I think a lot of people need educating on it, and I am one of those who does.

Mr. BONNER. I would like to make an observation at this point in connection with Mr. Curtis' remark as to whether or not we made a mistake in sponsoring the amendment to the appropriations bill to reduce the fund.

Mr. CURTIS. That is the matter to which I was referring.

CONGRESS UNABLE TO LOCATE ITEMS IN APPROPRIATION BILLS

Mr. BONNER. This subcommittee, after our trip abroad, had certain views and ideas about funds appropriations, and this subcommittee as a body went before the Appropriations Committee of the House, and we asked where certain moneys were and we were unable to find out, or ascertain where they were, so it will be enlightening to you gentlemen to know why this subcommittee operated as it did on the floor of the House. We were cutting on the basis of information available. We couldn't get the specific information where to cut; we didn't go and get to cutting blindly, but we thought we were touching the right spots, because there were some certain things we wanted to reduce. We were very much pleased at the impression we evidently made that brought about further reductions in the Senate, and I believe reductions that would bring about efficiency and economy in not only your branch of the service, but our other branches of the service.

I just wanted to get that in.

Mr. BROWNSON. General, from your background as a comptroller I would like to discuss the problem from our viewpoint a little bit with you:

In regard to revolving stock funds, our problem is to protect appropriations from overexpenditures. We have found in some cases money obligated and deobligated, and obligated again for something entirely different than the original budget request. We have a responsibility to regain control of the appropriation, through the appropriations to regain control of the expenditures.

Now, one of our concerns at the time, we were worrying about this revolving stock fund, was whether there was any mechanism by which Congress could lay out these sums of money into stock fund plans, and still retain a semblance of control. How do you think the whole matter of congressional control of funds is affected by the revolving stock fund, and are there any steps you could suggest that would—where Congress saw fit to set them up—which properly administered do have many things in their favor, and still let Congress feel that it does have its thumb on the expenditures of our funds?

Mr. BONNER. That is what I wanted to get in the record when I made my statement. The reason we offered certain amendments over there was to try to get some control.

Mr. BROWNSON. I wonder if with the general's background and experience as a comptroller in control of funds in their appropriation and expenditure he can suggest any steps which can be added to this revolving fund that will enable us to maintain a semblance of control and still give the Air Force enough of their head so that they can use the funds intelligently?

Lieutenant General RAWLINGS. In the use of a stock fund, once you have the fund capitalized and set up, then your annual appropriation should be based on the consumption during the period for which the appropriation is made.

So, that once the capitalization problem is taken care of, then it becomes an annual problem of controlling the consumption data based on what you are going to do during the period involved.

We have a stock fund for clothing that is capitalized at a given amount, being considered to be the amount you need in inventory, the anticipated sales during the period, and then we would put in our budget, say, for instance, for the number of uniforms and based on the new enlistments that we have projected and some of the repair rates that have been developed from repair factors to provide for maintenance of the uniform, and all of those factors could be studied, and then the dollar requirement would be as good as the estimate of prices that were used to pay for those materials on the estimates of the actual number of new items that would be issued during the period, and using the experience or past wear-out material rates as opposed to the actual experience during the period.

So it seems to me once you have that technique in operation, you do have a means for controlling the annual operation.

Mr. BROWNSON. Here is the factor that worries us: Let's say hypothetically we have a revolving fund, clothing fund of a billion dollars for the Air Force——

Mr. BONNER. That is a revolving general fund; isn't it?

Mr. BROWNSON. No; this is supposed to be itemized; that is one element of control we have to have; if it is a clothing fund the money has to be capitalized in clothing.

Mr. BONNER. In the appropriations bill that wasn't spelled out.

Mr. BROWNSON. Here is another thing: it was spelled out as far as I can remember in the budget request of the Air Force, and the Army and Navy on these revolving funds, but then it got lost somewhere between that stage and the final stage, and never once presented to the House in the hearings of the Appropriations Committee.

Mr. CURTIS. It wasn't pinned down in the bill.

Mr. BONNER. That is one of the phases that worried me.

Mr. CURTIS. The use of the fund itself is one of the best controls I could imagine you could have, once you set it up as in General Services.

Mr. BROWNSON. Here is the problem in this hypothetical proposition:

We will assume we have a billion dollars authorized in this fund. You have a factor determining whether or not you would be allowed to ask for an appropriation next year, to take care of the maintenance and wear and tear and replacement of this clothing. We still have that billion-dollar fund, which continues on for several years. Finally we come to a period, 4 or 5 years from now, when the Air Force and

the armed services establishment is cut back by one-third. How does that affect the stock fund and the maintenance appropriation?

Lieutenant General RAWLINGS. Then you have got to take a look at your stock fund and see whether the capitalization is too great for the amount of activity, and reduce it; likewise, in a build-up period we would have exactly the same problem going the other direction, and we would have to get an appropriation for the purpose of building up the capital of the stock fund.

Mr. BROWNSON. How long would it take the Air Force to cut that capitalization back? We've got a billion dollars invested in uniforms right now. Assume that the Air Force is cut appreciably in size, then we've got to go to the Air Force and say, "We think your billion-dollar clothing capitalization is too high; come up with some new figures." And you come up with figures of three-quarters of a billion dollars. If there isn't a billion dollars' worth of clothing inventory, that money comes back in the general fund instead of buying new clothing.

Lieutenant General RAWLINGS. Yes, sir; I believe with a stock fund you would be able to make that adjustment very much sooner than you would be able to do it if you had nothing but item accounting.

In other words, you have a double check because you have to have a balance sheet which you can look at to see what the value of that stock fund is; you can see what is happening to your dollar figure.

Where you use an item situation, it is much more difficult to appreciate what it means in terms of dollars. So my feeling is that you have a better basis for looking at the operation and you would be able to make the adjustment.

Mr. BROWNSON. Because of the general's background as comptroller of the Air Force, and the position he is in here, I wonder if we could ask him to work up a brief study on this revolving fund to be included as an appendix with this report. I feel it would be very helpful to get this analysis and I think it would be very helpful to have it in printed form for some of the other Members of Congress, so when revolving funds come up again we will have a little study available to give them on the value of this revolving fund.

It is probable that the first reaction of Congress would be that "this is another case where congressional control is being removed." I honestly do believe stock funds would produce just exactly the opposite effect.

Lieutenant General RAWLINGS. Could I suggest, we are the neophytes in the stock fund operation. I suspect in the three services the Navy has used stock fund for a good many years, and they have had much more experience. The Secretary of Defense has responsibility in that area, and if you would allow me, I think here it would be much better to get that analysis from an over-all departmental point of view from the Secretary of Defense.

However, I am a witness here, and I will do whatever you suggest.

Mr. CURTIS. As I understood your testimony, the limitation in setting up a stock fund is getting your inventory in a dollar basis as opposed to an item basis, which you have now. So we in Congress could say this, though, that until the particular service has gotten that particular type of property on a dollar basis instead of the item basis, they aren't yet ready to ask for a stock fund to handle it.

Lieutenant General RAWLINGS. I think I have misled you, and I want to correct the record: The real essentiality for monetary accounting is on your stock fund operation. For an industrial fund operation such as the operation in our depots, our maintenance repair activities, you do not have to have the stock fund. It would be helpful if you did have it, but you can control it without having the monetary accounting.

Mr. CURTIS. So my conclusion would be right?

Lieutenant General RAWLINGS. Yes, sir; I believe so.

Mr. WARD. I would like to comment in this way: Admiral Fox testified before the subcommittee, and before Senator O'Mahoney's committee, that they use the stock fund in the Navy with respect to hot items, or fast moving items. In other words, common items that are turning rapidly. That would include what you would call common-use items, that turned over rapidly.

Lieutenant General RAWLINGS. It is not the kind of thing you would apply to electronic equipment, for example. It is by the common standard kind of item where you have to use stock funds.

Mr. WARD. That's right ;the experience in the Navy, as I understood, was this—when complex technical service items were put under the stock fund, the fund bogged down as the items didn't turn rapidly, thus preventing the fund from turning. The fund must be very active if it is to pay for itself, since you have a double appropriation or capitalization with a stock fund.

Lieutenant General RAWLINGS. If you capitalized on an asset which is not a real asset, you are in trouble.

That is what happens on technical items where you have a lot of technical items, and that is why we are starting out first with clothing, because that is not that character of item.

We are not going to electronic equipment in technical items.

Mr. WARD. In other words, if you get a billion dollars in your stock fund, your regular operating functions must have money in order to buy from the stock fund.

Lieutenant General RAWLINGS. Correct.

Mr. WARD. So, it is a double appropriation and if you don't get a rapid turnover, enough to pay for the interest, at least, on your stock fund, it isn't a good operation.

Lieutenant General RAWLINGS. That is correct.

Mr. WARD. Now, another bad thing about this stock fund operation: You have to keep that fund intact. In other words, if you have a billion dollars in it or, like Agriculture, have $400,000 in the stock fund, your regular operating functions must have money in order to buy from the stock fund.

Lieutenant General RAWLINGS. Yes, sir.

Mr. WARD. You get into difficulty with your small purchase vouchers, unless you have some way of doing away with the paper work. I wanted to mention those points.

Two or three years ago there was a joint program between the General Accounting Office, the Bureau of the Budget, and the Treasury Department on inventory control, and they set up some criteria at that time, Mr. Brownson, as to when capital funds were justified.

Mr. Martin, who was the head of the Bureau of the Budget Estimates Division, was opposed to these funds because he thought that Congress and the President lost control. It has advantages from the

operations point of view, because you have money that you can keep going with, but you do lose a degree of control from the congressional point of view, and from the President's point of view.

Lieutenant General RAWLINGS. It is also true that in many operations annual appropriations can be very costly, so you have to be very careful.

Mr. WARD. Yes.

Lieutenant General RAWLINGS. On the consumption-type item are things that do not turn over rapidly; take aircraft spares, for example, where we are buying the spare parts required for aircraft in use as opposed from the initial spares; if you come up with the same items in many cases you have bought initial spares, and then you have duplication in procurement in a requirement which complicates the picture.

You may find that you haven't got the money at the right time. The programming cycle is such in order to meet the end of the year date, you would go ahead and buy something in order not to lose the results that that money will provide that you would lose if you ran over to the next fiscal year. You have to look at it pretty carefully. On the other hand, it is certainly true where you have continuing money that the Congress has to look at the program very closely or they will lose control of it.

Mr. WARD. Coming back to Mr. Bonner's point, Admiral Fox said the Navy used the fund for fast-moving items, he also testified that in the general store items between Army and Navy, there was a 90-percent duplication of stock, and Mr. Bonner's amendment was to the effect that you combine those common-stock item functions between the Army and Navy, and then maybe you won't need another stock fund; at any rate why not combine first, before asking for another $140,000,000 which may not be needed?

That was the basis for that cut, which, from a congressional point of view is certainly sound, because if there is that duplication of 90 percent in your general store items, that are worth X million dollars, they should get the maximum use out of them before asking for more money for capitalization.

Mr. BONNER. Isn't there a danger—you spoke about fast turnover—of some fast salesman coming in and selling you more than you need, when you have this money, and knowing that you had that amount? You would likely have a duplication of stocks in that event.

Mr. GILPATRIC. I don't know about the fast salesman, but I know certain areas——

Mr. BONNER. All of us are human, and Washington is full of representatives of every industry in the world. They are fine men, and I used to be one, myself, and I know they can put the pressure on and they can sell a lot of goods, if you have a lot of money in your pocketbook.

Mr. GILPATRIC. A New York Congressman wanted us to buy a lot of textiles.

Mr. BONNER. I understand.

Lieutenant General RAWLINGS. Of course, you have to have common identification of all of those items in the catalog before you could eliminate them, because you don't know what they are.

Mr. WARD. Isn't Congressman Brownson's idea good: let the departments get together with other interested agencies, and work out the criteria as to when a revolving fund should be used. Admiral McNeil,

in his discussion of stock funds before the subcommittee, did approve them for a great many things, and we could go overboard on them.

Lieutenant General RAWLINGS. I should think the office of the Secretary of Defense has that responsibility, and certainly should carry that burden.

Mr. McNeil, I am sure, isn't holding up stock funds. He thinks we could do a better management job through the use of them. That is why he is pushing it to the budget.

Mr. CURTIS. Congress will ultimately pass on the wisdom of the thing, and I am sure the Secretary of Defense will want to come up with it, and he should come up with it. I hope that a formula will be presented to the Congress instead of each thing coming in on its own bottom.

We have to have a formula, and Congress should approve that formula; not only for stock funds, but any other requests.

Lieutenant General RAWLINGS. One of the great problems in an operation of this size and magnitude, if you get the thing too rigid, you can't do a good job.

Mr. CURTIS. Yes; but we are far from that.

Mr. BROWNSON. If you have a formula established that takes a lot of grief and worry off you people, and off your budget people because they can then see for category X that the items revolves a sufficient number of times to meet the criteria for stock funds.

That takes your routine case out of the way. The way it is now, there is no rule, and every case is an exception. As a result, when it hits the Appropriations Committee, and when it comes through and reaches the floor of the House, there is no measuring stick at all, and Congress has not been in the mood to write any more blank checks. So, if you have criteria, I think it will be a great help to all of us, and in setting these things up, and I think you will get much more rapid service.

Mr. GILPATRIC. Since this is not an intradepartmental problem, and since it is a fiscal one primarily, the Secretary of Defense or Comptroller ought to do it. There is a lot of enthusiasm and a lot of flag-waving about it, but it hasn't been tied down to any standard yet.

Mr. WARD. Isn't it so that Congress must assume a great deal of the responsibility when they pass the annual appropriations in September or October, and the operating departments need money on the 1st of July? That is one reason they want to have no-year funds, so they can keep operating.

Lieutenant General RAWLINGS. That was one of the fortunate things about the timing of the Korean conflict, assuming we had to have it. Had we had it at a time when we had an annual picture to get into——

Mr. GILPATRIC. Before you recess this hearing, I was planning to return to Washington tonight unless you want to have me stay over tomorrow.

Mr. BONNER. No, sir; I am just delighted to have had you with us today.

Mr. GILPATRIC. I enjoyed it, but I will be with you for dinner if there is anything the subcommittee wants of me.

Mr. BROWNSON. If the Secretary could communicate to the Secretary of Defense, our interest in this criteria on this subject, as he goes back to Washington, that information will be available to the Secretary before these hearings are printed.

Mr. GILPATRIC. Mr. Chairman, I will ask him——

Mr. BONNER. We planned on calling Admiral McNeil back; we didn't complete with him about this subject when he was before us a short while ago.

Mr. BROWNSON. If we can do that, it will give the Secretary that much head start.

Mr. BONNER. I think the request Mr. Brownson is making is a good idea.

Mr. CURTIS. I think it would be helpful for us to get the Air Force viewpoint on this, and discuss it.

Mr. BROWNSON. I still think it would be very helpful for someone in the Air Force to set down in a crystallized form his viewpoints on this matter of revolving funds. I think we should ask the Navy for the same thing.

Mr. BONNER. Can you work up something, Mr. Secretary? Get the general's views, and staff's views on it, that we can insert in these hearings?

Mr. GILPATRIC. We will be glad to do that.

Lieutenant General RAWLINGS. We are prepared to do anything at your pleasure the rest of today and tomorrow.

Mr. BONNER. General, thank you very much.

I want to assure you and your staff that the subcommittee appreciates your courtesy, and your patience with us during this hearing, and that includes, also, the Secretary, Mr. Gilpatric.

We appreciate your presence here with us.

(Whereupon, at 5:53 p. m., the subcommittee recessed, to reconvene on Tuesday, August 19, 1952.)

(The statement requested is as follows:)

DAYTON EXHIBIT 1

USE OF STOCK FUNDS IN THE DEPARTMENT OF THE AIR FORCE

1. The Air Force, several years ago, investigated the benefits to be derived from financing inventories by a stock fund similar to that used by the Navy and concluded that these benefits warranted a request for authorizing legislation. However, such legislation proved unnecessary because shortly thereafter, the National Security Act amendments of 1949 were proposed and adopted as Public Law 216, Eighty-first Congress, title IV, section 405 of which authorizes within the Department of Defense "working capital funds" for financing inventories; i. e., stock funds.

2. Our desire to use stock funds to finance some of our everyday supply operations was based upon two primary considerations:

(*a*) This process clearly separates the supplier and the consumer and facilitates understanding and control of the operations of each. The size of the inventories in relation to the amounts of consumption and the future program needs necessarily become clearly apparent when carried in a stock fund and the supplier operates very much like a merchant with a business subject to reviews and controls very similar to those used commercially. The consumer, on the other hand, is afforded a freedom of action within the limits established by the amount of money provided him to conduct the operations which he has justified in his budget. The consumer's relations to the supplier become very similar to those of a customer to a merchant and the differences in the natural interests of each provide a check and balance and an incentive to efficiency.

(*b*) A stock fund simplifies accounting and budgeting by this clear separation of consumer and supplier functions as well as enforcing careful accounting for supply dollars. Accounting for the dollar value of supplies purchased, on hand, and consumed can, and in many areas must, be accomplished without the use of stock funds, but there is no question of the educational benefit of this device in the introduction of commercial accounting practices.

3. We have always recognized that neither stock funds nor any other similar device can possibly cure evils of mismanagement. They can, however, within definite limits improve the ability of a good manager to do an effective job. We also recognize that stock funds are not adaptable to a very large part of the materials carried in the military supply system and must be confined to materials which can be treated like commercial merchandise and for which a supplier can reasonably expect a continuing demand. We believe that materials of everyday general use can properly be bought by the supply organization in anticipation of a continued proven need and with a reasonable assurance that if they are not needed one place, they will be needed at another and if the demand is down in one period, it will correspondingly come up in another, following proven averages.

4. On the other hand, many materials have a very limited use, often confined to a single purpose which might be eliminated almost overnight by technological advances. The decision to replace an item with something better must be based upon the losses we would face if we put the inferior article into action against an enemy as compared to the cost of the replacement item. The historical cost of the item disposed of is not the determining factor and the decision centers upon the purchase of the replacement. The stock fund which must recover out of current operating funds the value of an article in its inventory, therefore, is not adapted to highly technical items although it is admirably adapted to repetitive use everday supplies.

5. Usefulness of the stock fund in the field of technical materials is limited also by the lack of freedom of an operator to choose what materials and how much of them he will use. The use of these materials is necessarily controlled by higher authority whereas with the common use, everyday items, the individual operator can be allowed to determine within broad limits what and how much material he will employ to carry out the operation for which he has received funds. We believe, also, that in some supply areas, the use of the stock fund will simplify congressional control of operations by clearly distinguishing consumption from supply and by allowing Congress to maintain control over consumption by the appropriation process with better knowledge of previous consumption and of the quantities of repetitive use material on hand.

6. Introduction of financial concepts such as the stock fund in an organization as large as one of the military services requires a long period of training of personnel in addition to development of systems. Techniques of commercial accounting and financial practice have to be learned by both supplier and consumer. Accordingly, the Air Force believes that it must proceed slowly in the introduction of stock funds if it is to avoid loss and trouble which would offset the gain. We have already operated a stock fund for 2 years to finance the supply of clothing. As a result of experience and knowledge gained in that operation, we expect to extend stock funds to other areas at an increasing rate. Stocks of textiles for use in clothing and other purposes, stocks of fuel and oil, medical supplies, lumber, and many other everyday items are now under consideration. Actual accounting procedures have been devised and put into effect preliminary to the use of stock funds in the field of aviation gasoline and establishment of a medical stock fund has been directed by the Secretary of Defense.

FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT—PART I

(Section 2)

(Meeting held at Headquarters, Air Matériel Command, Wright-Patterson Air Force Base, Dayton, Ohio)

TUESDAY, AUGUST 19, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
Dayton, Ohio.

The Subcommittee on Intergovernmental Relations met at 3 p. m., Tuesday, August 19, 1952, at headquarters, Air Matériel Command, United States Air Force, Dayton, Ohio, Hon. Herbert C. Bonner, chairman, presiding.

Present: Representatives Herbert C. Bonner, chairman; (Mrs.) Cecil M. Harden, Charles B. Brownson, and Thomas B. Curtis.

Staff members present: Thomas A. Kennedy, general counsel; Ray Ward, staff director, and Herbert Roback, staff director, Executive and Legislative Reorganization Subcommittee.

Air Force members present: Hon. Roswell Gilpatric, Under Secretary of the Air Force; Lt. Gen. E. W. Rawlings, commanding general, Air Matériel Command, Wright-Patterson Air Force Base; Maj. Gen. W. H. Tunner, deputy commander; Maj. Gen. M. E. Bradley, Jr., directorate of procurement and production; Maj. Gen. C. A. Brandt, directorate of maintenance engineering; Brig. Gen. L. R. Parker, directorate of supply and services; Brig. Gen. W. T. Hefley; Col. C. Pratt Brown; Col. James A. Mullins; Col. Lester W. Light; Col. W. E. Carter; Col. W. B. Packard; Col. Lee W. Fulton; Col. William E. Sault; Clarence Dahm; J. N. Cunningham.

Mr. BONNER. The subcommitee will come to order.

Lieutenant General Rawlings, I want to thank you and your staff for the interesting tour of the Wright-Patterson Air Force Base this morning.

We visited the air tunnel, power plant, laboratories, and the Aero Medical Laboratory and other installations on your base, which proved to be most interesting and very informative to me particularly as chairman of the subcommittee, and I am sure to the members of the subcommittee and the staff.

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[1] Name changed to Committee on Government Operations, July 4, 1952.

25062—53——7

Now, we are assembled to ask such questions as members of the subcommittee might desire.

Mrs. HARDEN. Mr. Chairman, General Rawlings, Colonel Brown, and members of your staff, I wish to express my gratitude and appreciation for your most generous hospitality and cooperation during the past 2 days. It has been very interesting and very informative.

Lieutenant General Rawlings, I am very happy to know that you are in complete agreement with our subcommittee's objectives.

I should like to ask one question in regard to the suit that we saw demonstrated. What is the cost of that?

STATEMENT OF COL. C. PRATT BROWN, COMMANDING OFFICER, WRIGHT-PATTERSON AIR FORCE BASE

Colonel BROWN. That is an experimental suit and I am not sure a total cost has been developed on it yet.

Lieutenant General RAWLINGS. Was that a pressurized suit?

Colonel BROWN. It was this ventilated suit which is over in the aero medical laboratory and they did say it was a developmental item. I am not sure that the cost has been developed.

Lieutenant General RAWLINGS. In other words, the cost of a piece of equipment of that kind would finally be determined when the specifications were finally set, based on the development and then sent out for bids and development on the control and time standards. You would then get your bids and determine what the cost would be. I am not familiar with the particular item, but that is where we develop these special pieces of equipment that are essential to the crew and aircraft and related equipment being able to carry out the mission.

Mrs. HARDEN. Thank you. How many Waf's do you have on the base?

Colonel BROWN. We have 158 enlisted Waf's and 27 officers.

Mrs. HARDEN. Twenty-seven officers?

Colonel BROWN. Yes, ma'm.

Mrs. HARDEN. Could you use more?

FURTHER STATEMENT OF LT. GEN. E. W. RAWLINGS, COMMANDING GENERAL, AIR MATÉRIEL COMMAND, WRIGHT-PATTERSON AIR FORCE BASE

Lieutenant General RAWLINGS. I should like to say that we have asked headquarters on several different occasions to provide us with a very much larger WAF program, but they have been unable to do so, because the recruiting program has been behind the planning program, and, therefore, they have not been available. We feel that there are a good many positions in this command where women in uniform could perform the functions very satisfactorily and I would be delighted to have them. The ones we have are doing a grand job.

Mrs. HARDEN. Thank you. I am always interested in the women of the Armed Forces.

Mr. BROWNSON. Would they replace civilian employees you have now or military personnel?

Lieutenant General RAWLINGS. You always have a very difficult problem in determining whether the person doing the job should be a civilian or military. We try to civilianize the maximum number of jobs so that we are not tying up people in uniform on jobs where they are not required.

It to some degree depends upon the particular skills that we require and the skills that are available in uniform or in the civilian capacity. So, it depends to some degree upon what the particular job is.

Mr. BONNER. Since you are developing that, has the cost been estimated for a similar employee as a civilian or a Waf?

Lieutenant General RAWLINGS. I have not seen any figures developed on that; they could be developed, and it may be that they have been at headquarters. However, we have not developed such figures and I do not know what they would be.

BIDS VERSUS NEGOTIATIONS

Mr. BROWNSON. General, I wonder if we could have a little discussion. It isn't exactly on the subject of this subcommittee, but it is a subject which is very close to it, and it is one in which all of us as individual Congressmen are very interested. That is the matter of procurement as it is now carried on in your command and how much of it is done on a bid basis and how much of it is done on a negotiated basis. What philosophy underlies the determination as to which basis will be used in your procurement?

Lieutenant General RAWLINGS. Yes, sir; we would be glad to discuss that. We have discussed this subject before other congressional committees. I don't have at my fingertips the statistics. We could have developed them if we had known you wanted them and I would have had them here.

Generally, the policy we are following is one of trying to get the maximum amount of competition that we can get in our procurement, because we feel that in our American system competition generally forces the price down.

There are many cases, however, especially technical items, where you have people who have special technical ability and that sort of thing, because they have developed the item of equipment and have the know-how and where you have to have them within a specified period of time, where it would be more economical to the Government to go out and negotiate. So, we do that in a great deal of our highly technical equipment.

On the items that are not as technical we attempt to the maximum degree to get competition through competitive bidding.

From a dollar point of view, obviously, since our aircraft and highly technical items are high priority, a good many of the dollars are on the basis of negotiated procurement where we have price-redetermination contracts and that sort of thing as opposed to "cost plus fixed fees," of which we have not very many. We use those where you have had no prior experience with cost—where the item is a new item—and no one has enough information on which to base cost to come up with a fixed-price type of contract. We do not like to use cost-plus-fixed-fee contracts because they are difficult to administer, but we are forced to use them in a lot of cases.

NEED TO AMEND PROCUREMENT LAW

Mr. BROWNSON. Do you, or the members of your command that are actually doing this job, have any reaction as to changing that legislation to help you in your job? Have you found it cumbersome or difficult?

Lieutenant General RAWLINGS. I am personally not aware of any problems that have come up to my level on the statute that we are operating under for procurement. However, I would like to ask General Bradley, who is the Director of Procurement and Production, if he has any that are bothering him; they just haven't come up yet. I am not aware of them.

FURTHER STATEMENT OF MAJ. GEN. M. E. BRADLEY, JR., DIRECTORATE OF PROCUREMENT AND PRODUCTION

Major General BRADLEY. No, sir. I would say the basic procurement laws have proven adequate to our use, and we find them reasonable and not too restrictive in operation.

In general, they cover the conditions wherein it is necessary to negotiate rather than advertising; if we have to negotiate, we are allowed to do so.

There are some other things that have been added to our job which we have to go through which make the job a little more difficult, but they apparently are necessary, such as small-business representation and the rules and regulations regarding the distressed areas. However, the procurement laws as such are, in my opinion, adequate.

DISTRESSED AREAS

Mr. BROWNSON. Do you have to make your decisions here on this level in regard to your purchasing from distressed areas, or does that come down from the Secretary, or where does it come from?

Major General BRADLEY. We get the policies from headquarters, and they are set up by the Defense agency. We have to make the decisions here as to implementing those policies in each individual case, and we do.

Lieutenant General RAWLINGS. I might add to that a little for the record, and that is that these additional steps which cover the small-business activity, distressed labor areas, and a few others do complicate and involve the procurement process. It means it makes more paper work and more time. But those are statutes that have been considered by the Congress, and we must follow them. They are not unworkable; they just make the task a little more laborious, and obviously they may have some considerations that are beyond the scope of our task.

We do make a very conscientious effort, and it causes us additional work and time and red tape.

In the field of small business, we have a very good small-business organization in the Air Force, and I think it has done a very fine job, but it is complicated. It does take more time and involves, obviously, additional steps and more paper work, but it is working out well, and they are generally doing a very fine job for us.

H. R. 6887

Mr. BONNER. In that connection, I would like to ask General Bradley if he has had an opportunity, or if he is familiar, with the bill H. R. 6887, which was introduced by me as chairman of this subcommittee as a result of the subcommittee's studies with respect to contracts?

Major General BRADLEY. No, sir; I am not familiar with that bill.

Mr. BROWNSON. In your purchasing of such common-use items as fall within your purchasing category, how does your use of negotiated purchases and bid-contract purchases compare in volume?

Major General BRADLEY. Well, I think it would be best for me to get some of our later figures on the over-all picture.

Mr. BROWNSON. What is your policy generally on procurement of common-use items? Do you have to go into negotiations much there, or are you able to do it almost entirely by bid?

Major General BRADLEY. By bid.

Mr. BROWNSON. The overwhelming volume in your purchasing in your common-use type of item is by bid?

Major General BRADLEY. That is correct. Our policy is to do it by bid. It is very seldom that we have to do it any other way.

Lieutenant General RAWLINGS. I might make a comment for the record. Of course, we run into pressure. In policy direction you can negotiate, but you run into a lot of pressure on the side that you should have had competitive bidding; and, likewise, where you have competitive bidding, you find people who object very strenuously, because they have gotten into a situation where they are doing a satisfactory and good job for us; they are fearful that some man who is pretty sharp might come in and underbid him for enough reduction to be one you would have to accept, but then maybe failing to meet the contract, having all the learning period to pick up and that sort of thing. Then, maybe, the next year he will not be back in the program, and that would result in losing two sources.

You get those pressures on both sides, and we just try to use our best judgment in getting the maximum competition we can get.

Mr. WARD. During the time that what is now Public Law 413 was being developed, it was sold, I am sure, to the Congress and across the board—certainly to the General Accounting Office and Bureau of the Budget—on the theory that there are certain instances where it is necessary to negotiate. One, where you cannot draw up a proper specification concerning some of your technical equipment; and, two, where you do not have a competitive market. It was, however, felt that the thing to do is to get competitive bids where practicable in order to prevent collusion, favoritism, nepotism, and those other things that Revised Statute 3709 was intended to stop. That was the premise which was made for Public Law 413 and I would like to ask if that isn't still the correct way to operate; that is, to get competitive bids through advertising where you can do that reasonably?

Lieutenant General RAWLINGS. I would like to say that that should be modified—not the statute providing for this—but what you have said, I feel, should be modified to the extent that it has to tie in to the urgency of the situation.

Mr. WARD. No objection, if there is a bona fide emergency——

Lieutenant General RAWLINGS. In other words, when Korea first occurred, the pressures were terrific because we were short of a lot of

equipment. It was necessary to negotiate where maybe you could have gone out on competitive bidding through advertising which may have taken an extra month or something of that sort; but, with that exception; yes; we agree.

Mr. WARD. That is consistent with what Mr. Bonner's bill, H. R. 6887, intends, and then, if you cannot get competitive bidding through advertised bids, to try to get competition through negotiation.

Major General BRADLEY. We always do that unless there is only one source.

Mr. WARD. That was the intent of the bill, but the tendency seems to be to negotiate everything even where there is a competitive market. I am not talking about the Air Force alone, but practically all of the contracting is done under negotiation, rather than through formal bids.

Major General BRADLEY. If you look at our monetary record of the number of contracts and the dollar contracts per negotiation—just dollar volume—it would look that way.

Actually our airplanes and engines are sole-source items and, once a contractor has developed an engine and developed the design and the method of manufacture and gotten it ready for production, it is out of the question to go out and get any competitive bids for the production of a $250,000 item. In some cases they run that high, and an airplane, of course, much higher. So, in those big cases we have to negotiate with the people who have developed the thing, and there is no way of getting out of it, most of our procurement—high dollar items—runs into that type.

Mr. WARD. There was a manufacturer in Mr. Bonner's office a couple of months ago who had been successful in building a certain type of boat during World War II and had a lot of contracts. He is unable to get any business at all now because he has no idea what price to offer. There is no public opening of the bids and there is nothing to indicate how he should sharpen his pencil. In other words, it is all done behind closed doors, and he is complaining and he has a right to complain. Does that situation exist with respect to your negotiated contracts? Is there any public opening or any public quotations so that someone who has not been successful can get in on the next go-round?

Major General BRADLEY. Information concerning the final contract price on a negotiated contract is always available to the unsuccessful bidder upon request. In the interest of good business practice, however, it is not ethical to release the full details of a contract because information on operating costs and other matters is considered to be confidential and its release might prove detrimental to the successful contractor. In this connection, the Air Force policy as outlined below is set forth in current regulations.

(*a*) In the case of negotiated contracts, contracting officers will notify unsuccessful suppliers who submitted quotations of the fact that their proposals were not accepted, and extend the appreciation of the procuring activity for the interest the unsuccessful supplier has shown in submitting a proposal.

(*b*) Should additional information be sought by suppliers invited to submit quotations, contracting officers shall furnish the name and address of the successful supplier and the actual or approximate contract price, but as a general rule, shall not reveal the names of other unsuccessful suppliers or the amounts and conditions of their quotation. Information concerning a classified negotiated contract may not be furnished by telephone.

(c) In no event shall cost breakdowns or other cost or profit information submitted by any supplier be revealed to any other supplier.

There are cases where you were negotiating with three people and one of them might not have the capability—a border-line case—and, if he knew what the prices were, he would undercut and could give you a lower price, but you maybe wouldn't get your end item. There is that danger if they all knew what they were negotiating on.

Mr. WARD. Of course, you would have the protection of the performance bonds.

Lieutenant General RAWLINGS. Well, the performance bond doesn't get you the end items necessarily.

Mr. WARD. I know that is so. It seems to me in this case where this fellow—Mr. Bonner knows him well and he is a very capable man, a responsible man—he just doesn't know what is going on and he doesn't know what kind of price to quote.

Lieutenant General RAWLINGS. Mr. Ward, has he bid on some of these items?

Mr. WARD. He has tried to get in on a negotiation basis. He figured his basis and put a bid in on that basis.

Lieutenant General RAWLINGS. He has figured his cost and made proposals and has never heard anything further and he suspects there is some skullduggery, and that is a natural suspicion of a person who cannot find out the facts.

Mr. BONNER. In other words, the man built the same item at the beginning of World War II.

Lieutenant General RAWLINGS. General Bradley, do you know if we have had any contractors that have made those complaints? Do you recall any? I don't recall any, and usually we get them. When there is some trouble, they come up to see me; they don't hesitate.

Major General BRADLEY. No, sir. Pressures have been applied at times in the past for more issuance of prices on negotiated contracts and the size of contracts by certain of your trade magazines and such things as that, wanting something they could put in their paper. But, actually, in my opinion, a negotiated contract in many cases is negotiated not only on a basis of price but on the basis of many other things, and it is a contract arrived at and decided upon by the Government to its best interests.

It would cause us a very great amount of difficulty if we had to publish all of the various bids that people made, because the bids are placed against each other and one man may bid a certain amount, and then, if they think there is still "water" in the bid, the people ask the other man if he doesn't want to come down. They don't say what the other man bid, but it is really a negotiation. Where there is no fixed price, you would have a great difficulty in publishing the different prices.

AIR FORCE NOT SEEKING LOWEST PRICE—HAS PROFIT POLICIES

Mr. BONNER. General Bradley, in the presentation here yesterday, it was indicated you are seeking to get a fair price—not the lowest price. Is that your policy?

Major General BRADLEY. That is correct. We have certain profit policies, and we try to give them a fair profit.

Our profit policies are based on volume, on the extent of risk that the man is involved in, on his capitalization, and on his past and current performance. If he produces well and gives us our stuff on time and good stuff, we believe in giving him a higher profit than if he is not.

FACILITY SURVEYS

Lieutenant General RAWLINGS. To elaborate on the fair price, we would not necessarily take the low price if it looked as though the contractor would be unable to deliver because he simply didn't know how to estimate, or maybe was deliberately putting in a very low figure.

On the other hand, once in a while we make an award to the low bidder and will see that the man cannot produce for that price. In that case we have to go on the basis of the facility survey, the financial survey of the contractor's ability, and occasionally what you would find is that he does not have business and has overhead and he is willing to run at a loss on a particular deal in order to cover some of his overhead. So, you have to be very careful when you analyze those things.

Major General BRADLEY. I think we might add that we have in the past year instituted a number of administrative improvements in our method of conducting our business which tend to arrive at the same end result which you are seeking; that is, prevention of collusion and any kind of fraud or collusion between any contractor and a buyer. For instance, we have done this by instituting, as General Rawlings said, the "facility capability" report as a mandatory item. Before a contract can be signed or awarded, it is required that the buyer go out to the district, which is a different organization of different people, and the district makes a survey of this plant to see if they have the capacity, the know-how, the experience, and the financial ability to perform this contract. That comes back and, if it is approved, then the buyer is authorized to go ahead with his contract. If it isn't approved, then he is stopped right there.

Mr. BONNER. Do you have the technical staff to estimate the cost of an item before you ask for prices on it?

AIR FORCE ANALYSES DETERMINE REASONABLE NEGOTIATED PRICE

Major General BRADLEY. Well, we have a staff of price analysts, and the contractors bring in a breakdown of their estimated cost, and these price analysts analyze that against our experience and against what we know a fair and reasonable overhead rate is the profit and the man-hours' estimate and so on, and arrive at what they consider as reasonable by negotiation, if it is a negotiated contract, a proper breakdown of the price.

Mr. BONNER. Do you negotiate to any extent on items that are successfully produced by more than three manufacturers?

Major General BRADLEY. Rarely. We might have to in a very few cases, but in general we would not. We would advertise.

Mr. BONNER. You would contract them?

Major General BRADLEY. Yes, sir. We would advertise for bids.

ALL OR NONE BIDS

Mr. BROWNSON. General Bradley, I understand that you have a purchasing procedure in which you will receive a bid, for instance, from a manufacturer who makes some 25 items and then who says "If you buy all of those items from me, I will give you a special discount on the whole order." Is that a pretty common procedure or not?

Major General BRADLEY. Yes, sir; it is.

Mr. BROWNSON. So, in that case of that 25 items, it is entirely possible he might be high on one item in there; but, if he were low on the total of the 25—whether it is 3 percent or 4 percent or whatever he gives you for the whole order—he would receive the bid?

Major General BRADLEY. Yes, sir.

Mr. BROWNSON. Even though on a specific item he might be high?

Major General BRADLEY. Yes, sir.

Mr. BROWNSON. Does that squeeze the little fellow out who is only capable of bidding on one or two of those items?

Major General BRADLEY. We have some small-business specialists looking over all of these things, and one of their duties is to break out such items and see to it that small business gets a chance to bid on it regardless of this procedure.

Mr. BROWNSON. I am not in favor of going completely overboard to protect small business, because I am afraid, if we do, we may protect it right out of existence. Small business lives primarily on competition, and it should. I don't think any small-business man who knows what he is doing wants small business insured against any loss, because small business has a right to fail. That right is the thing that keeps our economy healthy. A competitor who doesn't have a sound business operation fails and thereby actually removes himself as an inefficient element. However, I am concerned, particularly in view of what Congress has done and the way it has been administered, in the case of the program of certificates of necessity. Many of these large corporations are expanding tremendously and eliminating their normal subcontractors by taking over additional operations in their own plants. That makes it very difficult for the little machine shop who may only be able to bid on one or two items. He may actually give the Government a price on those items lower than the price for that individual item in the combined contract of the big operator. When you take your total percentage saving off the combined contract, you run into over-all saving that offsets, as far as the Air Force is concerned, that particular price advantage on one item.

It seems to me this presents a very difficult, philosophical problem. I can see how you feel about the ultimate economy, but at the same time I can understand how the little fellow, who only makes one or two items feels when he sees the bid and finds he bid 10 percent low on that one item but, because of the 3 percent taken off the large contractors' bid for the 25 items, he loses his contract.

Lieutenant General RAWLINGS. In these considerations we also include the transportation question. As I pointed out yesterday, unfortunately once in a while we have slipped and then you really have trouble, because everybody gets pretty unhappy when you make a mistake and the man that should have gotten the job didn't actually get it. Fortunately we haven't had many of those, but it is possible.

Mr. BROWNSON. Are there many contracts written with that over-all percentage reduction if all items are purchased from the one company?

Major General BRADLEY. Yes, sir; there are. If one company comes in and offers a substantial differential for getting the whole business and is lower than the others, we award him the contract.

We have this small-business specialist staff, and they survey every purchase request that comes through and they pick out all of those items which are suitable for small business, and that specialist takes that contract and goes to the buyer and sits down with the buyer and does his very best to see to it that small business gets a part of that contract.

Mr. BROWNSON. I have here in my hand a particular case, the one I mentioned to you at breakfast concerning some electronic rectifiers. We have had a lot of correspondence on the case. If you have 20 items or 30 items and this man bids on the rectifiers alone, and if you knock those rectifiers out of the order to the large firm, you are going to lose several thousand dollars in savings. However, this fellow was lower than the large firm on that individual item. You are placed in a difficult situation where I can't see any answer that you can come up with which can be completely satisfactory.

Major General BRADLEY. I don't either. We have quite a few of those situations.

Mr. BROWNSON. It seems to me that is one place along the line where the legislative framework and the directives from on up above haven't been thought through to their proper conclusion. In one case you are going to save the taxpayers several thousand dollars and in the other case you are going to save a little money on this one item, which may be a minor item, and you are making a small contractor happy, but by breaking up the 20 items you are losing the discount on the whole transaction.

Major General BRADLEY. We would feel we couldn't afford to be hamstrung by a policy that requires us to break out those items, because it would mean so many more contracts that we would never get our work done.

Mr. BROWNSON. On the other hand, you penalize the man who is a specialist in his field and manufactures one type of item alone.

Are 20 items as originally assorted on this bid, assorted by the Air Matériel Command, or does the manufacturer pick the items out of a list of requirements that you have and does he make the assortment of the particular 20 items on which he gives you the extra discount?

Major General BRADLEY. In general the 20 items are specified and we put them on this invitation for bids and he takes the whole 20 items and says if he got them all, he would give a 10 percent discount. That is the way it happens. He doesn't pick out these particular items, but he has to see all of them that are on that particular invitation.

Mr. BROWNSON. Wouldn't that make it possible for your purchasing department to pretty well pin point the manufacturers that could bid on a particular list of 20 items as a total?

Lieutenant General RAWLINGS. The point is that there is one step before it is put on the purchase request. It goes to the Small Business Specialists Section that we have and I can assure you that they are hammering constantly, and make it difficult, actually, to do some of the jobs, because they break out enough of that stuff so that it doesn't happen too to great a degree, but we do do it. However, if

you went the other direction, we would probably have to double our procurement staff, because you would multiply the pieces of paper involved enormously and we have a large operation now.

Mr. BROWNSON. That clears up the point I had in mind. I hadn't realized that the Small Business staff was screening these items first before the request for bid on the 20 items was compiled. That is all I have.

USE OF TRAVEL VOUCHERS

Mr. CURTIS. First, I want to say I have certainly learned a great deal in going over the general procedures set up here.

I would like to ask about three specific questions. One question I have in mind, I notice the Air Force ordered 5,641,000 travel vouchers, which incidentally was 2½ times what the Navy ordered and more than the Army ordered. It seems to me that that item must have filled up the pipeline, and I wonder if anyone could comment on that specific item.

Lieutenant General RAWLINGS. I believe, Mr. Curtis, we would have to research those specific things like that; we would have to take a look at it, unless someone just happened to know it. We haven't been alerted to those items.

Mr. CURTIS. I will ask it in a general way. What review is made on matters of this nature? Could these figures for your procurement of standard forms for the Air Force, Army, and Navy, be obtained? Who would review this and pick up this very same item which I have picked up in relation to the Army and Navy and ask the question why is it we are ordering so many and what happened?

Lieutenant General RAWLINGS In other words, your question really is, "What is our requirement procedure"? And, second, to try to stop overprocurement, or changing requirements that are higher than they should be. Is that your question?

Mr. CURTIS. Yes, sir, that is essentially it. Of course, I would be interested in the follow-through on that specific item later.

Lieutenant General RAWLINGS. We can check on that particular item.

Mr. BONNER. If you can supply that information for the record at this point, it will be fine.

(The matter referred to is as follows:)

Standard forms used by the AF are procured by the Air Adjutant General of the AF Headquarters, USAF, Washington, D. C. The Air Matériel Command distributes standard forms through its warehouses and provides the Adjutant General periodically with a statement of the quantity on hand, the monthly consumption rate, and the quantities due in and out. The Air Adjutant General determines the quantities required and the desired delivery dates and procures them for delivery to the Air Matériel Command.

Whenever the quantity of a specific standard form on hand in the Air Matériel Command depots is reduced to a 6 months' supply, a requisition is forwarded to the Air Adjutant General for replenishment. The stockage objective is an 18-month supply; therefore, the quantity procured is an 18-month requirement less the quantity on hand and due in. Depending upon the quantity required, delivery may be all at one time or a portion every 3 or 6 months.

Prior to July 1952, the Air Matériel Command furnished the Air Adjutant General with the quantity to be procured at the time the order was placed as well as information on the quantity on hand, the monthly consumption rate, and the quantities due in and out. The Air Adjutant General reviewed these figures and procured the amount requested or determined some other quantity to be procured.

Mr. Curtis stated that the AF procured 5,641,000 travel vouchers (Standard Form 1012) during fiscal year 1951 for use in fiscal year 1952. This requirement was based on past consumption experience, and the projected future size of the AF. Our records show that actual consumption experience for fiscal year 1952 was 5,156,784.

Lieutenant General RAWLINGS. I would like Colonel Light, who works in the requirements field, to explain that procedure.

Colonel LIGHT. In that particular area the Air Adjutant General in Washington computes all form requirements and actually makes the procurement. We do not compute the form requirements here at AMC.

Mr. BONNER. Do I understand that you do not estimate what is needed; someone else does the estimating on this item as to what you need?

Lieutenant General RAWLINGS. That is correct, Mr. Bonner.

Mr. CURTIS. Don't you even compare that with usage figures in case they order considerably more than has been customary before?

Colonel LIGHT. We do furnish the consumption reports to the Air adjutant general and he computes the requirements on that.

Mr. CURTIS. But you have no basic authority at this command to ask them to check?

Colonel LIGHT. We do ask the questions when that work requirement is prepared.

Mr. BONNER. Do you have the figures that would show the consumption data you reported to them?

Colonel LIGHT. Yes, sir.

Mr. BONNER. And he increased them?

Colonel LIGHT. He might increase or he might decrease them, sir.

Mr. BONNER. Well, supply that for the record—the data that you furnished on this subject.

Colonel LIGHT. All right, sir.

Mr. CURTIS. Then we still have this remaining question and possibly you could answer it here in this particular instance. Would there be anyone in the Air Force who would look over general figures of this nature, such as I have here, to notice anything that seemed out of line and to question it as far as these forms are concerned—the Air Matériel Command would not do it as far as these forms are concerned—but you probably do it as far as other items are concerned; is that correct?

Lieutenant General RAWLINGS. Colonel Mullins can tell how we do our checking of requirements, but to compare our figures with Army and Navy figures, no; we would not do that, but we have our internal procedure for checking, and Colonel Mullins can describe that to you.

Mr. CURTIS. Let me interject just a minute to be sure—no one would compare it with the Army and Navy even for items where you know it is a matter, to a certain extent, which would reflect the number of personnel you have rather than the particular equipment?

Lieutenant General RAWLINGS. At this level, obviously, it would be a very involved and detailed task.

When the budget is reviewed, the Department of Defense and the budget examiners in working with the departments, they do make checks, but the extent to which they go I don't know; they are spot checks of items that are common to the services to see whether they look out of line; they do check those up, but to do it at this level, the cross-servicing would be a terrific operation.

The main thing would be to have our own requirements computation arrangements and check twice so we wouldn't make mistakes. If another service had supplies that were excess ot our requirements, then they could become available to us in the form of excess supplies. Those lists are circulated and we could pull them off and they would be on our stocks and we would take a credit on our computation and wouldn't get them; but, in terms of checking the requirements, no.

Colonel MULLINS. We have within the directorate of Supply and Services an independent audit system of requirements computation. This system is independent of the actual individuals who are responsible for the commodity or the computation of requirements and initiation of procurement.

We not only carry that to the extent of auditing the requirements for procured items, but also attempt to audit the major portion of budget estimates which are submitted so we can begin with the budget estimate on particular items and follow it all the way through until we come to an actual procurement after the money is appropriated.

This system is directly under the directorate of Supply and Services, General Parker, and is also extended to the air matériel areas, the depots, and we have requirements analysts at each one of the depots who are independent of the individual computing requirements.

In the larger procurement areas each and every procurement is audited.

Where our procurement covers a large range of the consumption type matériel, we can only spot check each commodity class and take corrective action on a general basis for that commodity class.

Mr. CURTIS. Don't you have some sort of formula as to usage, as either being a certain percentage beyond what you anticipated or below that, and where those items are scrutinized? Doesn't your system include something like that?

Colonel MULLINS. The system would take into consideration any changes in consumption factors and we would either be procuring for a deficiency or would be reducing procurement because consumption had been lower than had been anticipated.

In cases where consumption is developing to an extent that the item has to be isolated for expediting action or you have to cut back procurement, adjustments are made. We audit the requirements formula itself and the programing information that goes into each requirement computation and the data that is used. We check back against the actual document from which the inventory and consumption information is developed.

Mr. CURTIS. I would think this would be one of the methods you would have of checking back to see where errors might exist.

Let's take another thing, we were discussing this morning excesses of spares. If you have an excess usage of a particular spare, certainly something should be directed over to your design and engineering department—probably something must be wrong—and that is probably true more in supply than in maintenance. And the same way, if you have an item like this travel voucher, which looks like it is an excessive amount although there may be a very legitimate explanation for it; but I don't quite see how your system would benefit from catching items like that, or whether you are actually set up to catch them.

Colonel MULLINS. To come back to the item which you have mentioned.

Mr. CURTIS. I know you don't use that, so that wouldn't be a good example, but assuming it was an item that you do have concern, I think your usage figure in the past would be utilized for the new order.

Colonel MULLINS. Do you mean where consumption information appears to be excessive?

Mr. CURTIS. Yes, sir. Either that or your new order—your order for next year appears to be out of line with your past consumption.

Colonel MULLINS. That is correct. That is the type of thing which could be audited. Of course, requirements computations are designed to reflect factors which are changed. Where there is an error in factors to the extent that we are procuring something that appears abnormal the audit system applies.

Mr. CURTIS. You send it back as a check to be sure there is a logical explanation for the change?

Colonel MULLINS. That is correct. And if there is no logical explanation, we take the necessary action to either cancel the procurement, if it has gotton that far, or do whtatever is necessary to correct the situation at that time.

Mr. BONNER. I understand this order was increased in Washington over the estimate that was made here, is that correct?

Colonel MULLINS. No, sir; the actual requirements were established in Washington based on the consumption information which was furnished by this command, but the procurement quantity was not estimated at this command.

Lieutenant General RAWLINGS. On this particular situation we have no information, but we will be able to provide you with what our consumption shows or we can provide that to Washington and find out from them what you want.

Mr. BONNER. You don't estimate how much you require; you let Washington estimate that.

Colonel MULLINS. In particular categories of supply and equipment, I believe I pointed out in my presentation yesterday that headquarters, USAF, does not control some specific items and they compute the requirements at that level.

Lieutenant General RAWLINGS. And they do on these forms.

Mr. BONNER. How many of those items are there of that nature, generally speaking?

Colonel MULLINS. This particular commodity classification, Standard Forms, they are all computed at headquarters. And, of course, the larger items they compute there are the complete aircraft, guided missiles, and that type of thing.

Mr. WARD. Who places the order on the Government Printing Office?

Colonel MULLINS. The Air Matériel Command actually places the order.

Mr. WARD. From here?

Colonel MULLINS. Yes, sir.

Mr. WARD. You send Washington your consumption data and they add on what they are going to or change it and send it back to you?

Colonel MULLINS. Yes, sir. It is more or less in the form of a directive procurement.

Mr. WARD. You would have copies of your orders, showing what orders have been placed against it, during fiscal 1951?

Colonel MULLINS. Yes, sir.

Mr. WARD. And you will have the consumption data?

Colonel MULLINS. Yes, sir. We can make a complete check of what this appears to be—whether it appears to be normal procurement, or whether the assets were depleted and that was the cause for the increase, or whether or not it appears to be excessive.

Mr. WARD. Will you also show how many travel vouchers were used during fiscal 1951?

Colonel MULLINS. Yes, sir; we can obtain the information. I am not positive whether it is here or not.

I would like to say a few words about the review by the Department of Defense of procurement. Of course, you probably know that the Munitions Board has certain items for which—each department presents to the Munitions Board and must receive Munitions Board approval before any procurement is initiated and they do designate categories especially where any materials are critical or large dollars are involved and they review that procurement before it is initiated.

Mr. CURTIS. As a matter of fact, they are the ones who really decide where we are going to spend the dollars that Congress has appropriated; and Congress has appropriated so many dollars, they can't possibly be spent in our industry with our present industrial capacity. That expenditure is decided by the Munitions Board.

The other point I had is in regard to an article which appeared in Air Force, the Magazine of American Airpower, the May 1952, edition, and the article is entitled "Special Report, the Airpower Dollar" on page 22. In there is this statement, and this is what I want to ask the question about:

> Even the Air Force clothing requirements creates sizable difficulties in an economy still essentially geared to peacetime. For $17,000,000 worth of critically needed clothing, mess equipment, blankets, etc., Air Matériel Command had to canvass the ranks of wholesalers, jobbers, and retailers of World War II surplus supplies and establish special local emergency purchase procedures. Meanwhile wholesale prices had risen an average of 14 percent since the beginning of the Korean war.

As an example, I want to run through that and ask some questions. First of all, when did this occur?

Lieutenant General RAWLINGS. This occurred when Korea started, and the very rapid expansion within a period you remember of about—well, I don't remember the exact timing, we could get it in the record—we had a build up that started in the fall; we had another one in December, as I recall, and a final appropriation in March, when we went from a program of 48 wings in the Air Force up to a program that was pointed toward the 95 wing program, and the rate of build-up, which was based on the decision of the Joint Chiefs that we had to have this strength within a given period, required that we take these actions in order to supply the men. If you will recall, we had considerable difficulty with bringing in our recruits and being unable to properly cloth them and give them blankets and that sort of thing because of this rate of build up.

Mr. CURTIS. On blankets, for example—the date that this occurred, this reference as you interpret it, refers to a period of over several

months, say possibly from July 1950 on until about February or March 1951, is that roughly right?

Lieutenant General RAWLINGS. It was during that period; I would have to check the details. Do you know, General Parker?

Brigadier General PARKER. I don't recall, but Colonel Light, who I believe was in the Supply Division at that time, might.

Colonel LIGHT. The period, as I remember it, was October 1950 to March 1951.

Mr. CURTIS. I see. Now were these items available in the Army and the Navy?

Colonel LIGHT. No, sir; they were not.

Mr. CURTIS. What efforts were made at the time to get them from the Army and Navy, if they could?

Colonel LIGHT. We had several conferences in Washington with the Quartermaster General and also with the Navy, sir, to get these items and they were not available.

Mr. CURTIS. Was the Munitions Board asked to help in this picture to procure these items?

Colonel LIGHT. I really couldn't answer that question; I don't know.

Mr. CURTIS. Well, of course, the Munitions Board is set up for that very purpose—that is why I asked that question; it is a very logical question.

Colonel BROWN. I think I can probably answer that. I was in Washington at the time and there were any number of presentations made to the Munitions Board authorities on the common items that might have been in either Air Force, Army, or Navy during this particular build-up period. I remember one presentation that General Kessler, who was the Director of Supply and Services in Washington, made to the Munitions Board on the blanket problem in particular and to see whether or not any assistance could be given by the Munitions Board in getting these particular items during this particular period.

Mr. CURTIS. And the Munitions Board, other than these conferences, did not do anything as you recall?

Colonel BROWN. It brought out the fact that these were not available in the Defense Department establishment and had to be procured from the outside agencies.

Mr. CURTIS. Did they require the various forces to submit inventories of items that were involved at this time?

Colonel BROWN. That's right, sir.

Lieutenant General RAWLINGS. I doubt if we would know that, Mr. Curtis. It would be a matter of memory; you would have to check the record with the Munitions Board. I don't think we would know what they did here.

Mr. CURTIS. Apparently the colonel was in Washington—happened to be there on some duties.

Colonel BROWN. I was stationed in Washington at the time; I just heard the Air Force presentation.

Lieutenant General RAWLINGS. My only point is that he wasn't in an official capacity to really know, and it is observation.

Mr. CURTIS. I think that is a proper comment, and I would like to ask this to make certain so far as Air Matériel is concerned, would you people initiate the request to the Munitions Board for help in this item? Would that be normal procedure?

Lieutenant General RAWLINGS. Headquarters, USAF; yes, sir; through them.

Mr. CURTIS. It wouldn't be direct?

Lieutenant General RAWLINGS. Not direct.

Mr. CURTIS. It would have to be through them?

Lieutenant General RAWLINGS. Yes, sir.

Mr. CURTIS. Now, I have a final series of questions involving a matter that I wrote to the Air Force—the Secretary of Air—back in January 1952, and it was following up on a letter that I received from a constituent on the Sidi Slimane Air Base in French Morocco, and I assume that operation there would have been under the cognizance of Air Matériel; would it not?

Lieutenant General RAWLINGS. The actual operation of overseas activities is not under our jurisdiction. That falls under the jurisdiction of the theater commander, operating under policies established at departmental level. Our responsibility is one of providing the technical services and procedures used in supply and maintenance activities and of supplying the requisitions that are submitted through the theater channels.

Mr. CURTIS. But you would be in on the original planning from a logistics standpoint to know whether you could supply them?

Lieutenant General RAWLINGS. Is this for a depot, you say?

Mr. CURTIS. This happens to be for the Sidi Slimane Air Base in French Morocco which our Air Force was using.

Lieutenant General RAWLINGS. If it was just an air base for the location of aircraft, that would be under an operational command; we would not be involved in that; we would have nothing to do with that, except to fill the requisitions.

Mr. CURTIS. That is what I am really concerned about and what I will get into, as you will see, which is a specific thing. I want to follow through with some questions, maybe, and I will go on and present it. I will quote from this letter which I have.

> Strategic Air Command was in such a hurry to get us over here and then left us sitting with no equipment or supplies to work with. For instance, when we arrived, there were three fire trucks here, one of which failed the first week of operation. The other two broke down repeatedly as all three were worn out before leaving the States and had not been modified as directed in existing regulations. Finally a second truck was permanently deadlined, leaving us with one truck. We are now operating the base with two worn-out fire trucks, which are 155 crash trucks and a French truck loaned to us by the French, which is a poor excuse for a water pumper. This equipment is definitely not adequate for the fire protection of a base this size.
>
> This condition has repeatedly been reported, but it seems that it disappears somewhere in the efficient Air Force chain of command and nothing happens.

My letter of January 30 was acknowledged on March 7, saying they would get some information, and finally on April 1 I received a letter saying it was impossible to provide a complete report on this matter, as some of the facts were in the process of being assembled by an agency outside the Air Force Headquarters.

On April 4 I wrote this letter, which contains some of the questions I have in mind:

> I am in receipt of your letter of April 1, in which you advise that it is impossible to provide me with a report concerning conditions at Sidi Slimane Air Force Base.

Reference to my letter of January 30 to Secretary Finletter will disclose that I did not request a complete report on conditions at Sidi Slimane but, rather, I quoted certain portions of a letter received from a man in the Air Force, in which I mentioned a number of specific examples of waste and inefficiency.

One item involved fire trucks and fire protection equipment; another related to the personnel of a section of the air installations command; and a third concerned a cost of Quonset huts and other types of buildings used by the Air Force to house men who were doing absolutely nothing as a result of their being assigned to this air base months too early.

Surely questions involving Air Force personnel and Air Force equipment are not outside the jurisdiction of the Air Force and recourse to an agency outside of Air Force Headquarters should not be necessary in order to obtain the responses.

Finally, after that letter, I received a reply on May 19—no, that was my letter of April 4, and on April 30 I received another letter saying that—and here is the thing I want to get to—and I quote:

As a result of the developments in the aircraft field, a requirement arose for new improved types of crash fire-fighting equipment. The budget limitations imposed upon the Air Force prior to Korea prevented the Air Force from embarking on a program for the development and procurement of this new equipment. Since that time, however, new types of crash fire-fighting equipment have been developed and are currently being procured. Due to the long lead time needed for obtaining this equipment, it is just becoming available for distribution to Air Force organizations. As fast as it becomes available, it is being used to fill requirements for the Air Force. In the meantime, every possible effort is being exerted to maintain existing crash rescue equipment in a serviceable condition, until such time as the new equipment can be made available.

The letter goes into some other things. I replied to that letter on May 19, in which I raised the question then and I still have no answer as far as I am concerned. I will quote from the letter which I wrote to the Air Force on May 19:

I note your explanation of the failure to have adequate fire-fighting equipment at Sidi Slimane Air Base is "budget limitations." Frankly, I am completely dissatisfied with this answer and unless the statement can be backed up specifically, I shall assume that it is mere whitewash.

Accordingly, will you please advise:

1. What budget requests were made by the Air Force for development and procurement of new fire equipment before Korea that were eliminated from the budget either by the Bureau of the Budget or a House or Senate committee or by the House or Senate through amendment on the floor.

2. In what way the old equipment was inadequate and why sufficient old-style equipment was not procured until the new designs were available.

3. When the item for development and procurement of the new equipment was included in the budget and what steps were taken, and when, to develop and procure the equipment.

4. Is the equipment different from that used on civilian airfields?

5. What is the lead time on this equipment? What manufacturing companies were given the contract to develop and make it.

I received an answer to that letter, which is quite lengthy, on June 17, which gives me some of the information, and among other things, states that there was no specific budget limitation, but the Air Force simply—well, perhaps it would be best to refer specifically, and I quote:

The Air Force had a choice of buying wide range of replacement special purpose vehicles or concentrating on the procurement of relatively expensive fire trucks and applying the remaining dollars to the purchasing of a small number of replacement types.

It goes on to give some of this data, but never explains why there wasn't other adequate equipment there.

There are two things that concern me about this. No. 1 is the fact when you try to learn the facts and to find out what is wrong, it takes from January 30 to June 17, when they finally made this one acknowledgment that it wasn't specific budget limitations; that it was a matter of choice of the Air Force itself.

Secondly, the net result shows the significance and importance of having adequate fire equipment on the base. Certainly it is necessary, it would seem to me, and yet we have this situation existing at this base over there where there are inadequate facilities.

Now, again I say, I am using this as an example to see where Air Matériel fits into this picture in the general procedures that we have been over and why would a thing like this occur; and why did it take so long to get information and apparently get the thing solved?

Lieutenant General RAWLINGS. May I respond to that? Why it took that length of time to develop this matter, I wouldn't know; that was something you had between the Secretary, so I wouldn't know.

Mr. CURTIS. Wouldn't they have to come to you, General, for information on this matter?

Lieutenant General RAWLINGS. They may or may not; it depends upon the particular situation. In this case it is possible that they would have that information in Washington.

Our part in this particular picture would have been that we make the procurement of fire equipment and also we know the requirements for the fire equipment and we know what the inventories on hand are; also, we know what the new items are which are being developed and that are coming along and the status of them, and so forth, but there are a couple of points I might comment on.

On the budget side, it is very unfortunate that so often broad statements are made, because actually what does happen is what was stated in that last letter and that is that these items are not necessarily always in as a line item, because you have an over-all program that you are trying to accomplish.

There will be, maybe, a 10 percent cut in an area and the service has a choice of applying that and you may decide that this is less important than this or maybe an item isn't ready for procurement yet and therefore you don't buy it and buy something else at that time.

What happens then is a question like yours comes along, and I was going to say it was a budget reduction, but it was one where we had the choice of how we handled it.

As far as the status of fire-fighting trucks is concerned, as the size of our aircraft has increased the problem of fires has become very much more important, and as you probably know, they have had to develop these new high-speed and high-powered foam-throwing fire trucks in order to handle aircraft fires. That is the area in which we have our fire-fighting equipment problem. They have been in a state of development, but they were not developed during that period, because the total amount of our research money—and this was again our choice—was such that the decision was made instead of developing this particular item, we would develop a bomb sight or something else. In many cases we find today that support equipment—that is, equipment that goes to support the actual operating equipment—is behind in development for that reason.

Mr. CURTIS. Now, General, to interrupt there, one of the basic questions involved, though, is that surely, while you are going on and developing, you still have adequate old-type facilities. That seems to have been one of the things that did not exist in this case.

Lieutenant General RAWLINGS. We will have to check the inventory figures on fire trucks, but I know we are having a great deal of difficulty with fire trucks right now, because of the expansion of the Air Force and the establishment of these new bases and the fact that we have not had an adequate inventory of fire-fighting trucks.

Mr. CURTIS. In other words, you were probably caught short back——

Lieutenant General RAWLINGS. Sure. You know what happened at the end of the war; we disposed of many of those trucks, because the program looking toward the future was such that it looked like you wouldn't have a build-up program. It was a part of the whole property disposal program. Many of those things went to cities which took over airports, for example. So our inventory was not one that had a lot of excess in it at the time this expansion started.

Mr. CURTIS. In this instance wouldn't it have been possible, or was anything done to try to requisition fire-fighting equipment through other services and the Munitions Board, and possibly out in the civilian field?

The net result, General, was that you didn't have adequate fire-fighting equipment, if this story is true, and apparently it is from the answer they gave, because they explained why it wasn't, but do not explain how it got that way.

Lieutenant General RAWLINGS. The civilian type equipment, of course, doesn't take care of this requirement. It is an airfield, as I understand.

Mr. CURTIS. Yes; I appreciate that, but a lot of this equipment was turned over to civilian enterprises and I was wondering if that equipment could have been used. I do know this—in fact, they say so in this letter—a lot of your municipal operated bases do have very similar equipment and are developing it even to the extent of the larger stuff.

Lieutenant General RAWLINGS. Well, to my knowledge those bases are all operating; they are not closed down and you couldn't get that equipment back from the cities and municipalities operating those airports. So, that wouldn't be a source in this case of a build-up; you wouldn't be able to get that equipment. I am sure we wouldn't explore that source.

Brigadier General PARKER. There was an over-all shortage of equipment because everyone was building up. Now, in this particular case there was a deployment which was not cut back far enough and it was then left to lead time to provide adequate equipment.

Mr. CURTIS. Would they come to Air Matériel in setting up a base at Sidi Slimane with this item?

Brigadier General PARKER. Yes, sir. What happens, we get an operating program, as shown to you yesterday by Colonel Mullins and the basis we use to compute our requirements—that operating program will show you the installations they are planning on using during a period. When the annual program is given to us, if that base, for example, was in the program, it would have been included and then when we made our computation for requirements, we would

include that as one of the requirements, based on the table of authorization for that kind of a base. So, we would make the computation. However, what has happened, as he also described yesterday to the committee, is that there have been changes made in the program as we have moved along.

Lieutenant General RAWLINGS. It might be best to keep this part off the record.

(There was a discussion off the record.)

Lieutenant General RAWLINGS. In a build-up program like this for that year, you would have to take short cuts and do all sorts of things in trying to take care of it. In this case, apparently, we didn't do a supply job; whether they requisitioned on us, I don't know. But, let's assume they did. When those requisitions would come in and were in short supply, then, as I think Colonel Packard told you yesterday, we use a priority list, which is a priority and precedence list set up by the Air Staff. That is based on the over-all operational mission and lists the most important units in that order. However, if this unit happened to be lower than other units that consumed all of our assets, it wouldn't get equipment. So, that is how it actually operates and that is how we would be in it. These emergency procedures have a particular situation and if it is considered bad enough, it would get into that channel, but normally this is the way it will operate.

Mr. WARD. This illustrates the idea that if you had had a long supply, you would never have been criticized?

Lieutenant General RAWLINGS. That's right.

Mr. WARD. I appreciate that.

Lieutenant General RAWLINGS. You get into that kind of problem continuously and we would be in all sorts of difficulty in Korea, for example, if we hadn't had some kind of stock level and pipeline, because we hadn't programed for that kind of deployment and so you had to fill those lines.

Mr. CURTIS. That is all. Thank you.

DUPLICATION OF ARMY, NAVY, AND AIR FORCE BOOKLETS TO VENDORS

Mr. BONNER. In our hearings in February and March it was shown that the Army, Navy, and Air Force had three booklets in regard to vendors selling to the Government, and we asked the question why one uniform booklet couldn't be established, and I think the departments have recognized just the points that you have here.

There is in process of preparation now a single booklet which will give the information in one document for all three services. This was in February and March and I just wanted to find out if that booklet had been prepared.[5]

Lieutenant General RAWLINGS. Does anyone in procurement know?

Brigadier General PARKER. It hasn't been published, sir.

Lieutenant General RAWLINGS. It hasn't been published. It has sections from each of the services.

Mr. BONNER. That is being carried on by the Munitions Board.

Lieutenant General RAWLINGS. We do have published a booklet for the Air Force.

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[5] See p. 215, Federal Supply Management (Textiles and Clothing) (ASPR Conference).

Mr. BONNER. We questioned that there were three different booklets and three different prices and we were asking the question why wouldn't one booklet be published so a man wouldn't have to go to the Government Printing Office or somewhere and buy three?

We would like to have a short presentation of your electronic control program.

Brigadier General PARKER. Major Gregg is in charge of that, gentlemen, and he will make the pesentation.

STATEMENT OF MAJ. CHARLES R. GREGG

Major GREGG. We have prepared here a chart type of presentation which we hope will be adequate.

The application of various electronic devices which have been developed in recent years and their application to scientific and business problems are, of course, coming in for a great deal of discussion in various periodicals and in lectures given at various places in recent years.

The popular concept of such electronic brains, as they are quite often referred to, is that through some mysterious alchemy they can replace the human mind as a vehicle for judgment of problems, and we do not necessarily subscribe to this.

The electronic equipment now available to us, and which is quite often referred to as "the brain," is capable of only certain logical operations. They are standard operations of arithmetic, of comparison, and of selection and assembly of data.

The great advantage lies in the speed of such equipment. Metallic tapes feed data in at a rate of approximately 10,000 characters per second. For example, 11 digit numbers may be added or subtracted at the rate of 2,000 such operations per second, with similar speed for other arithmetical operations.

The storage of information, and, incidentally, of instructions for the equipment to operate with are of a variety of means. You have the external systems, which are currently mostly magnetic tapes. Electronically impressed impulses may be retained as long as you want them and then they may be erased from these tapes at a later time and the tape reused.

Approximately 1½ million digits may be stored on a single 8-inch reel of tape. This is the equivalent of 18,000 standard IBM punch cards in storage capacity. For internal memory we have several types: Magnetic drums, acoustic delay tanks, and the Williams tube, the latter being or using a principle similar to what we have all witnessed, such as the television tube, where when the set is turned off, we have a certain afterglow, an impressed image which lasts for a few microseconds, or at least a number of them.

Now, the physical features of such equipment are possibly of interest. The central computer in a typical installation might have as many as 5,000 vacuum tubes, and weigh as much as 5 tons. In connection with its accessories it might occupy floor space of approximately 4,000 square feet. Quite often such equipment requires the installation of special air-conditioning equipment in order to dissipate the heat generated by it.

In the new development area, types of equipment which are currently being stressed are primarily, as far as we are concerned, gen-

eral purpose equipment. Systems of components rather than integrated machines are being considered.

In the past many special-purpose machines have been used, but they are not applicable to the problems with which we are presently concerned. The components which are being developed and which are receiving a great deal of emphasis at the moment, because the central computer in most cases outstrips them in capacity, are high-speed printers which may have speeds up to 1,000 lines per minute, and high-speed sorters and collators which are particularly important in the processing of information for our standard-type reporting problems.

Now, one of the major areas in which the Air Matériel Command is interested, as far as the application of electronic equipment is concerned, is in the electronic control of matériel inventories. This, of course, is a very bulky process and very time-consuming. Now one of the proposals which has been made and which is being investigated with studies being made on it at the present time, involves a unit at each base to transmit current inventory data to the depot and to requisition supplies automatically, as needed. Master units in depots where current stock levels are maintained would automatically evaluate the requisitions received from the bases, prepare shipping documents, and indicate warning and reorder points, prepare action documents necessary to resupply and maintain stock levels at the depot points; also automatically ration items in short supply, according to previously established orders or priorities.

The advantages to be gained by this are, I believe, almost obvious. They are a marked reduction in stock level, a substantial reduction in supply, both in supply personnel, both clerical and handling and in conjunction with aerial resupply, major reductions in pipelines could be accomplished. The implications of such reductions, insofar as their dollar values are concerned, are, of course, apparent. There are a number of planning and logistic exercises currently being conducted in the modification of current supply systems. One exercise known as Logistics 56 is being conducted which involves the aerial resupply of overseas areas from depots in the United States. It is directly associated with this type of thing. We are also cooperating closely with such corporations as International Business Machines, RCA, Remington Rand, and a number of others in the assessment of our requirements for equipment to do the job which we have set up.

In the large-scale electronics computer area, the equipment may differ from that referred to in the application of electronic inventory controls in that the former was more or less special-purpose equipment while this is intended to be general-purpose equipment. Well, I shouldn't say special purposes, it is general-purpose equipment, but its intent is to handle more specialized problems than the one in inventory control. Since World War II many Government agencies have sponsored and used such equipment in areas such as aerodynamics research, ballistics, development of mathematical tables, nuclear physics, and that sort of thing at such places as Harvard, MIT, Aberdeen Proving Grounds, etc.

The Air Force has for a number of years sponsored the development of equipment such as the SEAC and the SWAC, which are the Standards eastern automatic computer in Washington and the Standards western automatic computer at UCLA. These differ somewhat in

specifications, but they represent a development of new type of equipment and an improvement in over-all capacity. In many, many cases the equipment developed here under Air Force sponsorship has been picked up by such corporations as Remington Rand and several other companies have taken similar advantage of the basic research done here.

Headquarters, USAF, recently purchased a Univac which currently is the only general-purpose machine which might be said to be in a production status. The Bureau of the Census has one, the Army Map Service is procuring one, and quite a number of other agencies are very much interested in it.

Our objectives in this area are to develop methods and procedures permitting application of electronic computing equipment to logistics and requirements problems and to apply suitable equipment to pertinent problems in order to provide timely answers. In many cases we find answers which can be obtained quite easily by manual methods lack timeliness, and this can be tremendously disadvantageous. Many of our budget problems are like that, for example, and many of the supply problems where great masses of items have to be handled. The advantages to be gained are a release from the burden of arithmetic, many times of impossible magnitude, and elimination of delays in communication. This might be communication between the staff offices in a major command headquarters. Any time you have a specialized problem where time lag is inherent in the large arithmetical problem, you will find changes in concept during the solution and the result is an inconsistent solution. Also another major advantage to be gained is a multiplicity of solution. You can solve a large number of similar problems with minor changes in the basic assumptions and then apply judgment to select the best. This is very applicable to alternative war plans. One of the typical problems, processed at Headquarters, USAF, on the Univac, is matrix inversion for the solution of interindustry problems. They have also been working with the Bureau of Labor Statistics and a number of other departments in the Government in interindustry economics problems.

Then, we have linear programing. This is an area originally developed by Professor Leontief, and solves special sets of simultaneous equations by the use of this equipment. Optimization which involves mechanical selection of the most advantageous of a multiplicity of solutions according to certain criteria, such as minimum cost, minimum manpower required, etc., is a third problem being worked on.

In the AMC area, problems suitable for processing on the new equipment include the SCOOP budget estimating procedure for projects 411 and 422 consumption-type items. This is a major problem because this field has been computed or processed mechanically on IBM equipment for some time and are formulated and are suitable for readaptation to high-speed equipment. There is a large volume of computation here and the time lag involved can be very dangerous at times.

Another problem area is that of production resources. Included here are computations of man-hours, factory floor space, materials, etc., required to support specific aircraft production schedules.

Another big area which is being considered is conversion and extension of Headquarters, USAF, programing information. A great deal of work is done manually after working material is received from

Headquarters, USAF, prior to computation of budget requirements at this headquarters.

The SCOOP budget estimating procedure is being coded for test runs on the Headquarters, USAF Univac and we hope to make test applications within the next 2 or 3 months. It is hoped that an entire run could be accomplished in this area in a matter of 24 hours, versus 2 or 3 months on current equipment. The problems associated with the Government-furnished aeronautical equipment, basic industrial materials, and others are also under study with the object in mind of processing them with machine time available to us on the Headquarters, USAF machine or other equipment becoming available. Arrangements are in the mill for service test of the new tape-processing machine being built by the IBM corporation. And, lastly, the new equipment developments are being monitored by us by attendance at meetings of scientific associations and things of that nature.

Lieutenant General RAWLINGS. If I may make a couple of comments, I think this is important to the committee, in that the whole purpose of this development is to try to speed up supply operations so that we will have an opportunity to use more judgment on the final results and to cut out the time delays that obviously come about with pipelines and stock level requirements.

Equipment is never a substitute for brains, because you must have people with brains and judgment putting the problems into these things, but we find ourselves with a very large complicated program that very often gets to us late. You have to do a terrific amount of electronic computation to come up with this item requirement, matching that against inventory consumption data, and so forth. You are dealing with such a mass of data, that it takes a lot of people and long periods of time to do the job and that means we are always pressed to get our answers before we are ready to give them.

During the period that budget work is taking place, you have changes to make while it is in process. If we can develop equipment which will do this programing job, which is the UnivaC, so we can get started early and then we can develop electronic equipment for our own supply system, we can shorten the time cycle and get our data back at the depots and central points that you couldn't possibly get if you had to do it by hand, because it would require too many people. In that way we think we will be able to save a lot of time and I am sure be able to reduce our levels, because we will be able to take faster action. It certainly is no panacea for all of our troubles, and I certainly wouldn't want the committee to get that idea, but it is a new development coming along in the business field that looks as if it will be of considerable value in an operation of this size and magnitude. We just wanted you to know we are working on it.

Mr. WARD. Will you explain to the subcommittee how electronics are based upon the binary system of mathematics so that either dashes or ciphers are all that one needs to represent any number?

Major GREGG. The binary system as applied in the UNivaC machine operates on what is called the binary coded decimal. In this case each digit in a given number is represented by a series of pulses or no pulses. That is the only thing we have in electronic work. Either we have something or we don't have it. A combination of—say a combination of seven pulses, or lack of pulses, with all the various combinations will give us a very large selection to represent

alphabetical characters, decimal digits, and so forth. Now the computer itself uses more or less trick handling of such combinations of impulses, and one of the processes they use—this isn't meaningful particularly—but excess three binary with flip flop to achieve addition and subtraction. The binary system as used is very similar to teletype tape. All of us have seen teletype tape, merely paper tape, with a combination of holes, and the various combination of holes will determine what the teletype prints on the paper.

Mrs. HARDEN. I should like to ask General Bradley a question. We discussed yesterday the status of the Allis-Chalmers contract at Terre Haute and we learned from the newspapers this morning that the strike has been settled. Now when will the Air Force replace the tools that were removed from there?

Major General BRADLEY. We are studying the problem currently, Mrs. Harden. I believe I stated yesterday I wasn't at all sure we were going to be able to replace those same tools.

Mrs. HARDEN. I understood that.

Major General BRADLEY. But we are going to look at the whole problem. It may be that Wright Aeronautical, who is the prime contractor, and who has been charged by the Air Force with replacement of those tools—in other words removal and placing them in a place where they could start cutting metal. It may be that some of the places they were putting them, they are not able to get steel to cut and metal as soon as they could back there; I don't know. If that is true, some of the tools might go back; otherwise, we will set up a program and get the tools that would have gone into the other places in there as fast as we can.

Of course, machine tools are still one of our problems, particularly in jet engine parts, and I cannot give you much of a guaranty on it. I have talked to General Metzger about it today and I assure you we are going to give very careful consideration to getting it set up and into production as soon as we can.

Mrs. HARDEN. Thank you; I greatly appreciate your interest.

Mr. BONNER. Gentlemen, that concludes the hearing and I want to thank you gentlemen again.

Lieutenant General RAWLINGS. Mr. Chairman, I would like to state before you close, we are very appreciative of having had the opportunity of having you be so patient in listening to our presentations, and it is particularly gratifying to me, since we are going to have all of our field commanders here for a semiannual conference on Thursday and Friday of this week. So, that many of the ideas that you people from Congress have expressed, we will be able to communicate directly to our commanders on a very timely basis, which I think is always helpful.

Mr. BONNER. Thank you, General. We appreciate your courtesy and your kindness.

(Thereupon, the hearings were adjourned.)

FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT—PART II

(Section 1)

(Meeting held at St. Louis Medical Supply Depot, St. Louis, Mo.)

WEDNESDAY, AUGUST 20, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
St. Louis, Mo.

The subcommittee convened at 9:30 a. m., Wednesday, August 20, 1952, Hon. Herbert C. Bonner (chairman) presiding.

Present: Representative Herbert C. Bonner, (Mrs.) Cecil M. Harden, Charles B. Brownson, Thomas B. Curtis, and Melvin Price, from the Committee on Armed Services.

Staff members present: Thomas A. Kennedy, general counsel; Ray Ward, staff director, and Herbert Roback, staff director, Executive and Legislative Reorganization Subcommittee.

Armed services personnel present: Maj. Gen. Silas B. Hays, Deputy Surgeon General; Col. A. M. Libasci, commanding officer, St. Louis Medical Depot; Lt. Col. C. W. Carter, Chief, Optical Division, St. Louis Medical Depot; Lt. Col. G. H. Wilson, executive officer, St. Louis Medical Depot; Maj. C. R. Buffington, Chief, Storage Division, St. Louis Medical Depot; Maj. R. E. Julian, Chief, Stock Control Division, St. Louis Medical Depot; Capt. W. C. Peters, Chief, Miscellaneous Services Office, St. Louis Medical Depot; A. E. Dixon, management officer, St. Louis Medical Depot; Maj. J. L. Fink, Chief, Armed Services Medical Equipment Maintenance Course, ASMPA, and Maj. Thomas E. Braswell, United States Air Force.

Mr. BONNER. The subcommittee will come to order.

General Hays, Colonel Libasci, and gentlemen of your staff: We are a Subcommittee on Intergovernment Relations of the House Committee on Government Operations. Those present today are myself, Mr. Bonner, of North Carolina; Mrs. Harden, of Indiana; Mr. Brownson, of Indiana; Mr. Curtis, of Missouri, and we are delighted to have with us Congressman Price, member of the Armed Services Committee of the House.

Our staff is composed of Thomas A. Kennedy, chief counsel to the full committee; Mr. Ward, staff director to the subcommittee, and Mr. Roback, who is cooperating with this subcommittee and is staff director for the Holifield Subcommittee on Reorganization.

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[1] Name changed to Committee on Government Operations, July 4, 1952.

We have been investigating economy and efficiency in our supply system all over the world. That is, the supply system of the armed services. One subject we have studied and reported on is medical supply. I want to compliment Secretary Pace, Mr. Bendetsen, and General Hays for their cooperation in this field.

Today we want to learn all we can about your operation here under the splendid management of Colonel Libasci. Colonel, you have a statement to make; and any time, after we have your briefing, should you call on any members of your staff, I wish for the record they first identify themselves, give the answer, and make such statement as they care to.

You will proceed, please, sir.

STATEMENT OF COL. A. M. LIBASCI, COMMANDING OFFICER, ST. LOUIS MEDICAL DEPOT

Colonel LIBASCI. My plan, briefly, is this: That we have an informal briefing to show you what our organization is, what our missions and functions are, and then take you on a complete tour of the depot.

Before I start, though, I would like to say one or two words about myself.

I am Col. A. M. Libasci. I am the commanding officer of this depot. I am a doctor, a member of the Medical Corps of the Regular Army. I have 20 years' service in the Regular Army, most of which was spent in supply and depot operations. During the war, I was Chief of Medical Supply in the South Pacific. Since the war, I have been in command of two medical depots.

Our St. Louis Medical Depot installation consists of two sites. We have this building, called the Mart Building, and an area we designate as the South Annex, 7½ miles south of here. May I refer to you this brochure entitled "St. Louis Medical Depot Organizations and Missions." (See St. Louis Exhibit 1, p. 137.) On page 3 you will see a map of St. Louis. The Mart Building is shown in the northern part, and down in the southern part of the city, 7½ miles away, we have the South Annex. That will orient the two areas.

We will keep referring to this booklet, which contains what you would want to know about our depot. I will go through it sketchily, then you can examine it at your leisure, and perhaps come up with some questions.

The Mart Building, as originally put up, is a civilian merchandise-mart type of warehouse building which contains about a million square feet. Twenty percent is office space. If you will refer to this site map, here is the Mart Building. This is the tower, with the office areas. This tower extends 20 stories; the warehouse extends 10 stories. There is a drawing of the building on the first page of this booklet. I would also like to show you these photographs. The Mart Building is a combined office- and warehouse-type building. It was purchased originally in 1941 by the Army at a cost of $2.75 million. It is today valued at slightly over $10 million.

The area at South Annex was acquired last year. They were surplus RFC warehouses, for buildings. We have renovated and rehabilitated these buildings and moved in. They are one-story-type warehouse, wartime construction. This building is 1,600 feet long, and this one is 1,200 feet long [indicating]. It makes a very fine type of

operation. You see, in this one depot we have two types of operation—multistory and single story.

May I refer you to page 6, where you will see a chart. We show the echelon of command. Here are our medical depots; here is the St. Louis Medical Depot. Then we have the Depot Branch of the Supply Division of the Office of the Surgeon General and, of course, the Army Medical Services, being one of the technical staffs and services, which comes under G–4; then the Chief of Staff, Secretary of the Army, Department of Defense.

On page 7 of the brochure we show an organization chart of the depot. I don't intend to cover this in detail. This is the type of organization you will see in any Army branch depot, be it Medical Supply, Signal Corps, Ordnance, Quartermaster, or Transportation.

In general, the depot is run by civilians, with officers in supervisory and key positions. The bulk are civilians, civil-service career employees, some with 10, 20, and more years of service. We staff it with a minimum of military command to maintain a trained nucleus, or pool of officers and military personnel, trained in operating a depot. Then, in case of war, we have them available. In 1940 I held a very subordinate position, and during the war was able to assume greater and greater responsibility.

Page 8 will give you an idea of our personnel strengths and operating ceilings. Again I will not go into detail except to generalize. We are given so many slots; for example, I am authorized 34 officers, and I have 34; 26 Army and 8 Air Force. Our housekeeping comes from the commanding general, Fifth Army. He gives me an authorization, and so on down the line, every organization for each of my lesser activities. For supply, I am authorized 699 civilians and have 686. We try not to go over the ceiling; as a matter of fact, we are not allowed to go above the ceiling.

In addition to personnel strength and operating ceilings, this depot is the training center for military personnel in all phases of medical supply, maintenance, and optical work. We are a school, running various courses in medical supply, medical maintenance equipment repair, optical work, and other related activities. In these courses, at times we have foreign students. At present we have four Chinese students. We have had Philippine, Canadian, and so forth.

Mr. BONNER. Let me interrupt, before you leave the school training feature: How many students do you have?

Colonel LIBASCI. At present, 51 students. Of course this will vary. Fifty-one in the course on medical equipment maintenance. Broken down, 40 Army, 11 Air Force, and some Navy are phased in at times. This is a joint course, run under the joint agency in New York—Army, Navy, and Air Force, and administered by the Army.

Mr. BONNER. You have 51 students?

Colonel LIBASCI. Yes, sir; at present.

Mr. BONNER. Is that the maximum that you have?

Colonel LIBASCI. This is a phased course; we admit 15 students each month and graduate 15. We push them out into the pipeline gradually instead of once a year.

Mr. BONNER. They come from the Army, Navy, and Air Force?

Colonel LIBASCI. Yes, sir.

Mr. BONNER. How much personnel?

Colonel LIBASCI. This is our authorization for personnel.

Mr. BONNER. What is that?

Colonel LIBASCI. I don't have the authorization here. Do you mean instructors? Major Fink, can you answer that question? Major Fink is the head of the school, and instructor of the entire school.

Mr. BONNER. Give your full name.

STATEMENT OF MAJ. JAMES L. FINK, MEDICAL SERVICE CORPS, CHIEF, ARMED SERVICES MEDICAL EQUIPMENT MAINTENANCE COURSE

Major FINK. I am Maj. James L. Fink, Medical Service Corps, Regular Army, and I am Chief of the Armed Services Medical Equipment Maintenance Course.

We are presently authorized 36 people in the course, 27 of whom are instructors; and they are drawn from all three of the services, with the exception of two of the instructors who are civilians. Our phased plan will graduate approximately 180 students a year. As of this morning we have 72 students, and beginning Monday morning there will be a new class of 15, in this case all Navy men.

Mr. BONNER. How many instructors do you have? I want to get that clear.

Major FINK. A total of 27.

Mr. BONNER. And you have 51 students; is that correct?

Major FINK. No, sir; we have an allotment, when we reach our peak capacity. At that time we will have a load of 150 students. At present we are in an expansion plan. As of this morning we have 72 students.

Mr. BONNER. How long does a course last?

Major FINK. Ten months—40 weeks.

Mr. BROWNSON. To clarify that point you are developing, may I ask the major: With the 72 students you have enrolled right now, how many instructors do you have, at this present time? Not allotments, but actually assigned?

Major FINK. I will have to think just a moment, if you don't mind, sir.

We have 19, sir.

Mr. BROWNSON. Of these 19, how many are military and how many are civilian?

Major FINK. Seventeen are military; two are civilians.

Mr. BROWNSON. Are all of them military officers?

Major FINK. Three of the military are officers, two are warrant officers, and the remainder are enlisted men.

Mr. BROWNSON. And those are Army, Air Force, and Navy. Can you give us that breakdown, approximately?

Major FINK. Yes, sir. The officers are all Army, with the exception of one Navy officer. He is in charge of the Navy Training Unit, and has an additional duty with the course. One warrant officer is Army, one warrant officer is Air Force. The enlisted men are four Navy and one Air Force; the remainder are all Army.

I might inform the committee that these figures perhaps are not completely accurate, but are probably accurate within one or two. I will get the correct information for you.

Mr. BONNER. You will have an opportunity to correct the record. We merely want the facts.

Mr. CURTIS. Mr. Chairman, may I ask a question?

Is this training for enlisted men, or officers, or both?

Major FINK. For both, sir.

Mr. BONNER. What is the course comprised of?

Colonel LIBASCI. If I may interpose, we will cover that in our presentation, sir.

Mr. BROWNSON. Mr. Chairman, one more question, while the chart is in front of us:

Concerning this breakdown into personnel strengths and operating ceiling, officers authorized and actual—how many of those are Medical Corps officers?

Colonel LIBASCI. I am the only Medical Corps officer. MC signifies doctor. We wear this insignia. I am the only MC officer here. No other in any depot that I know of.

Mr. BROWNSON. Thank you very much, Colonel. That certainly agrees with the feelings of this subcommittee, as previously expressed about the use of medical personnel in military supply.

Colonel LIBASCI. To my knowledge there are at present in the Army no more than a maximum of five doctors in the Army Medical Service supply system. General Hays might have the accurate figures.

STATEMENT OF MAJ. GEN. SILAS B. HAYS, DEPUTY SURGEON GENERAL, UNITED STATES ARMY

Major General HAYS. There are five doctors on duty in supply work, plus two in training.

Mr. BONNER. Out of a total strength of——

Major General HAYS. Five thousand five hundred. One per thousand.

Mrs. HARDEN. Mr. Chairman, could Major Fink please give the rank of the officers when he submits that report for the record?

Major FINK. I will. I can give you a general idea now. The two Army officers are captains; the Navy, a lieutenant, senior grade; the warrant officer, Army, W–2, and warrant officer, Air Force, W–1.

Colonel LIBASCI. We will have that all written out and mailed.

Mrs. HARDEN. Are there any women?

Colonel LIBASCI. No women.

Mrs. HARDEN. Thank you.

Colonel LIBASCI. Again, I will cover these training courses as we unfold the mission.

On pages 9 and 10 of our brochure we present a chart of the space distribution. We have 1,659,000 square feet, which is divided approximately, 1,000,000 in this building and 500,000 at South Annex. In this building we have a combined office- and warehouse-type building, which is not exactly balanced for our use. We need operating warehouse, and we have more office space than we need. It is very fine office space, as you can see.

We have therefore gone out and, as good landlords do, obtained tenants, preferably Army personnel, if we could get them.

We have 117,000 square feet of tenants, most of whom are military. We have one civilian tenant—radio station KMOX, occupying 35,000 square feet. They were built into this building, as an integral part

of this building, when it was first put up. They have remained here and weathered World War II and the succeeding periods, because—well, in the first place, they are paying a very good, substantial rental. The Engineers doubled their rent last year; these people threatened to move out but did not, because it would cost them many hundreds of thousands of dollars to do so. They are occupying approximately 35,000 square feet, for which they are paying approximately $60,000. We felt that to convert that space to our needs—it is cut up into soundproof studios—would take a lot of money. We never considered doing it, although studies have been made, at the request of people in the Bureau of the Budget. So, we have kept these people here. They are paying their way.

The others are Army tenants: Central Dental Laboratory; the dispensary; Headquarters Missouri Military District, occupying four floors; and other smaller Army agencies. The building is 100 percent occupied, as far as office space it concerned; 91.5 percent as far as warehouse space is concerned. Now, we in the storage business consider 90 percent as dangerously near the limit. You must have operating room and space. During the war, for example, in certain areas we couldn't get one more box in the building until we took one out. We are almost at that point now.

SURPLUS BUILDINGS USED FOR DEPOT ANNEX

At the South Annex the buildings are RFC surplus, renovated and put to our use. The only tenant as such down there is a very small amount of the GSA emergency stockpile program of certain critical items.

Mr. CURTIS. What was the date of moving into that South Annex?

Colonel LIBASCI. We occupied that officially in October of last year. There was 3 or 4 months of construction work which had to be done before we moved in.

COST OF DEPOT OPERATION

Mr. WARD. Colonel Libasci, before you go on, are you going to get into the cost figures of operation pretty soon?

Colonel LIBASCI. Yes; I will develop the cost figures.

These are our depot missions: First we have a supply mission. If you will consult page 13, you can follow me better. There you will see a map.

Mr. BONNER. For the record, if you will read over that former page——

Colonel LIBASCI. I will come back to it.

Page 12 of the booklet has these seven missions. On page 13 the map shows the distribution depots which the Army Medical Services have now. We now have a branch at Alameda—a branch depot as opposed to a general depot where you have five or six consolidated services—branch depots at Alameda and St. Louis.

At Schenectady and Atlanta, medical sections of general depots, as the committee undoubtedly knows. The depot at Schenectady has a depot distribution area of the First Army and part of the Second Army: Atlanta has the Third Army; Alameda the Sixth Army. We take the rest of the United States. Fourth, Fifth and Second Armies; cover 20 States, shown on page 13.

FURNISHES 113 STATIONS DIRECTLY

The number of stations we actually service you will see on page 17: 113 Army and Air Force stations direct, and 352 satellite stations. I am sure the committee is familiar with the principle of satellites. Five or six little units near a big hospital get their supplies from that hospital and the hospitals get theirs from us. That is the plan of satellites.

ONE DEPOT FURNISHES TO 47 PERCENT TO ZONE OF INTERIOR

On page 16 the graph shows we furnish supplies to about 47 percent of the strength of the zone of the interior. That figure shows that our workload on the basis of bed strength. On the basis of other things, our workload is bigger. We do 100 percent of the maintenance and 100 percent of the training. As far as bed strength is concerned, we supply 47 percent of the strength to the Army and Air Force of the United States.

Mr. BONNER. Before you leave that chart, and for the benefit of this subcommittee, is there any way you can place on that chart the medical depots and the location of other services?

Colonel LIBASCI. I don't believe the information is readily available to me.

Mr. BROWNSON. Would it be available as an overlay. This subcommittee is making a study of these problems.

Colonel LIBASCI. I know the Navy has a medical depot at Edgewater and one at San Francisco.

Major General HAYS. Also at Mechanicsburg, Pa.; Clearfield, Utah; and Spokane, Wash., which are back-up depots for the Navy.

Colonel LIBASCI. We will do exactly as suggested, Mr. Brownson. We will make an overlay which you can fit right on there. We will get that information from Washington. Captain Peters will take care of it.

(NOTE.—It was later decided that the overlay if desired should be obtained from the Navy.)

This distribution mission—our Medical Supply Catalog is a joint Army, Navy, and Air Force catalog which lists eight or nine thousand items. We don't store every one of these items at every depot. It would be uneconomical. For instance, X-ray machines, worth $25,000 to $30,000 each; it would not be feasible to have and disperse a balanced supply of these X-ray machines at each depot. Some things, such as biologicals, which become outdated—very expensive items, or which require special handling—we keep in one central depot. They are called key items. This depot becomes the key depot for items that require special handling or slow-moving items, and so forth. "Bread and butter" items are readily available in all medical depots; big items only in one place. This will save wastage due to dispersal. This principle of keying items is a very important principle in medical depots.

Now, that is our supply mission, without going into details. The booklet will show you what we have; the booklet covers it in quite some detail.

EQUIPMENT MAINTENACE SHOP

Our next mission is the maintenance mission, if you will look at page 19 and the following page. We repair and rehabilitate all types of medical equipment of the Army and Air Force in the zone of the interior. This repair and rehabilitation program has been going on since 1945. In 1947, when I came here, there was a half-million-square-foot stockpile of material that had been returned from overseas and from medical installations all over the United States and just dumped in here. We took that material, gave it a very careful survey, and divided it into two parts: (1) reparable and (2) nonreparable, which we cannibalized and sold for scrap. The reparable stuff we gradually repaired, and put back into stock as assets. Page 21 is designed to show what this amounted to.

Since 1949 we have repaired and put back into stock $15.5 million of equipment, at a total cost to us of $2.5 million. This program is practically completed. Our present maintenance mission consists of repair of items that are sent in to us by stations. If feasible, we send the station a new item, the old one we repair and put back into stock.

We have a shop employing approximately a hundred civilians; it is the only shop of its kind in existence. We are prepared to repair any piece of medical equipment. We keep very careful cost figures on that, and are able to quote not only month by month, but item by item. Each month we analyze to determine if it is a paying proposition to repair, say, 50 anesthesia machines. If the cost is more than 50 percent, or if it is uneconomical, we sell them—will not repair them.

DEPOT MANUFACTURES SPECTACLES (see pp. 197–203)

Pages 22, 23, and 24 cover our manufacturing mission. Page 22, our only manufacturing mission, is spectacles. We have a program whereby we furnish spectacles for the entire zone of the interior, except on the west coast; that is, for the Army and Air Force. Three hundred and fifteen thousand pairs were manufactured last year; 53 percent take 1 to 2 days to manufacture, 32 percent 3 to 4 days, and 15 percent 5 to 7 days. That is in depot time. We have special handling of orders for trainees. Trainees need spectacles the first week in the Army. They are trained in rifle shooting their fourth week. They need them their first weeks. We handle these specially.

Mr. BONNER. Your facility for making and supplying spectacles—could you do that for the entire Government?

Colonel LIBASCI. The answer, of course, is "Yes," because all we would have to do is expand the existing facilities and missions. However, it is highly questionable as to whether it would be advisable or not to put all your eggs in one basket. I certainly would not. Until recently, we were handling all the load for the entire United States Army and Air Force. The people in the Surgeon General's office saw that wasn't too good a situation. We are gradually, now, breaking this up. We put a shop in Alameda, and I understand things are under way to have another shop on the east coast. It would be very simple, you see, Mr. Bonner; our optical shop does not occupy much space.

We have some interesting cost figures on page 24.

Mr. BONNER. The overhead management say it isn't advisable to do it—the overhead management of this installation? Do they supervise these subinstallations that you have established?

Colonel LIBASCI. They are independent.

Mr. BONNER. You say it is not advisable?

Colonel LIBASCI. Because an enemy attack would knock out every source of supply of spectacles.

Mr. BONNER. That is what this committee wants to know.

Colonel LIBASCI. From the viewpoint of economy it would probably be best. Another factor, these men are examined by doctors at stations and found to need spectacles. Their prescriptions are mailed to us. We have an order of priority for these prescriptions. In 2 or 3 days these glasses are made and consolidated and mailed to the station. Now, were the enemy to concentrate on this one place they could readily knock it out in one attack. Even a fire in the building—and we might have a fire—could do that. Then nobody in the Army or Air Force would have any spectacles. The Surgeon General's office has seen that, and is gradually dispersing the activity.

We are anxious to show the cost of this operation, because any manufacturing mission that the Armed Forces go into should be justified. On page 24 we have a breakdown of figures; I would say we saved the Government last year, let's see, $540,000—Oh, I would say about a half-million dollars.

These figures are ironclad, and will bear any sort of close and searching scrutiny. They include everything—custodial and janitorial service, cost of light, electricity, all utilities, depreciation of equipment, amortization of rental of space. The civilian prices are quotations given to us by the American Optical Co., which is the largest commercial house of this kind in the world who supply spectacles, frames, and lenses.

I think we can save the Government a lot of money, and in addition we give 2- or 3-day service. Even if money were not involved, if it were not cheaper, we would still almost have to do it, because (1) we give 2 or 3 days' service. We must have that. A man comes into camp today and is going overseas in 2 or 3 weeks; he must have spectacles, and without lowering standards. (2) We must have a facility of this kind for training a nucleus for manning units overseas to be used during both peacetime and wartime. In peacetime we have, as you know, stations widespread. In the Pacific, during the war, we used little mobile units. One or two men can supply thousands of men with spectacles. We train these men in the use of military equipment.

In my production shop, I have all automatic equipment. In school, we are using the type of machinery a man has to use in the field—the kind you turn by hand, and so forth.

I know in the past this subcommittee has very carefully scrutizined any manufacturing missions of the armed services.

That is the justification of our being in the manufacturing business. I did want to take some time to brief you, because such a committee would be greatly interested in this procedure.

Mr. BROWNSON. What is your normal inventory, in connection with your optical manufacturing operations—raw materials, parts, spectacle frames, and so forth?

Colonel LIBASCI. In money? Colonel Carter, do we have that figure? Colonel Carter is the chief of my optical shop, and is a

graduate doctor of optometry. I doubt very much whether we have that inventory figure in exact monetary value; however, the normal manufacturing shop inventory approximates $100,000.

Mr. BROWNSON. You try to break your figures down and compare to civilian type of operation as you do on the chart; you have the matter of investment and inventory and several other factors to consider to make an especially tight comparison.

Colonel LIBASCI. We can give it to you in days of supply. Our production rate last year was 1,000 per each working day, and counting 20 working days a month, although we have ground 30,000 a month.

Mr. BROWNSON. You must have a general level at which your inventory roughs off here. Do you have $20,000 worth invested, or $100,000?

Colonel LIBASCI. At depot level our inventories are kept itemwise; we do not keep a moneywise inventory or anything at depot level.

Mr. BROWNSON. I am not talking about the depot; I am talking about your optical manufacturing operation.

Colonel LIBASCI. Those figures are available. We do not keep them all. I can tell you our objective, and that is so many days' supply, and we do compute our requirements from that objective and, from past experience, and go out and buy what we need.

Mr. WARD. Do you have good inventory control without having a monetary control?

Colonel LIBASCI. We have it on everything else.

Mr. WARD. But would you say it is good not having monetary control?

Colonel LIBASCI. It doesn't make much difference to the depot commander. All I am interested in is that I have the stock here in the proper quantity and proper amounts, and suitably dispersed according to directives put out by higher authority.

They say I should have a 6-month level.

Mr. WARD. What I mean, Colonel: Can you have good stock control by merely having item control, or do you also need monetary control?

Colonel LIBASCI. In this instance of the spectacles, this happens to be one item that we are responsible for the procurement of raw material for this item. We buy these lenses ourselves here. We compute what we need, and buy the lenses.

Colonel Carter, do you have any idea at all what one of our contracts would amount to in a period of 6 months?

Lieutenant Colonel CARTER. I don't have it now, Colonel Libasci, but I have it in my office.

Colonel LIBASCI. We can look those figures up.

Mr. BROWNSON. In making a comparison of an operation like this with a civilian operation, they have the tax factor which is a big factor, and has to be added in.

Colonel LIBASCI. Of course, the big factor here is the property factor.

Mr. BROWNSON. That is a cost factor, and you also have an investment in inventory, and you are not considering whether you have $60,000 inventory or $100,000 inventory.

I want to compliment you, Colonel, on your cost analysis because this goes further and includes more items than any other comparison I have seen yet in the armed services, because you do include the pay and allowances of the military personnel, and the depreciation on your equipment, which I am very pleased to see included.

Colonel LIBASCI. I know what you mean. We can get those figures for you, but I want to impress you with the fact that we are restricted to 6 months' supply. Six months' supply would not be a tremendous inventory to carry, or 3 months' supply. There isn't any tremendous inventory here.

Major General HAYS. In addition to the inventory that we carry here for his shop, his inventory on these spectacles is also for the oversea shops because he is the key depot for supplying the frames and lenses to the oversea shops.

So that will have to be taken into consideration.

Mr. BROWNSON. In that case, the fair thing to do would be to prorate the depot stocks against the amount of supplies for the oversea shops, so we might arrive at a fair inventory factor for this cost analysis on the basis of operating the shop that he has here.

The reason I am so interested in that is because the colonel has gone further than any other military installation in analyzing his costs.

Colonel LIBASCI. Colonel Carter worked for the American Optical Co. for 13 years as manager of one of our bigger shops. He has been with the Army since the war. He would like to make a statement as to the practice in civilian industry on the question as to how much inventory they keep.[2]

STATEMENT OF LT. COL. C. W. CARTER, CHIEF, OPTICAL DIVISION, ST. LOUIS MEDICAL DEPOT

Lieutenant Colonel CARTER. Mr. Brownson, I think your question was what would be our inventory as compared with a civilian-type shop.

Mr. BROWNSON. That's right.

Lieutenant Colonel CARTER. Our inventory is approximately $100,000, and that is on a 30-day level. We requisition from the depot itself every 30 days. Now, a civilian laboratory like the American Optical Co., which I worked for, carried a 2-month level. They change stocks six times a year. So, we are changing a little faster than the civilian laboratories. I think that is a question you wanted.

Colonel LIBASCI. We have, incidentally, the largest shop of its kind in the world.

Mr. CURTIS. Has the American Optical Co. or anyone in civilian industry ever expressed an opinion to you, or have you gotten any opinion from them, as to your cost accounting?

Colonel LIBASCI. You mean raise the question as to why we are in business?

Mr. CURTIS. No; I am not thinking of it like that, or in any critical sense. Have you ever made a study or ever referred to them for study?

Colonel LIBASCI. We pattern all of our production and activities and the arrangement of our shop and everything according to the very best civilian standards, which Colonel Carter is cognizant of.

Mr. CURTIS. I am not talking about your quality of performance; I am talking about your cost accounting. Whether or not they have had the opportunity of looking over your system of cost accounting.

Colonel LIBASCI. No, sir.

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[2] For further discussion on optical shops see hearings held at Oakland, Calif., Aug. 21, 1952, p. 193.)

We have approached civilian companies and asked them for quotations, and these are the quotations they gave us. We have done that time and again.

Colonel Carter reviews his cost figures quarterly, because that question has come up so many times.

We are always prepared to justify the existence of this activity. As far as cost figures are concerned, these figures are prepared according to the best standards of cost analysis.

Mr. CURTIS. That is the whole question, Colonel. I have no doubt about that. But that is really the very question the subcommittee is interested in; that is up to us to determine.

I agree, I am sure, that you all have done the very best you can, to put it that way; but this subcommittee has to go into the details.

Colonel LIBASCI. We have no outside agencies coming in here to help us do it.

STATEMENT OF HON. MELVIN PRICE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. PRICE. Would you place your justification of your spectacle department on the basis of cost to the Government or to the Army, or on what basis would you put it, forgetting this cost?

Colonel LIBASCI. It is not fair to base it on the basis of cost. The Army can beat anyone manufacturing anything, because—what do we do? We call in the best civilian people to help us, and then we take no profit, but we are not here to compete with civilian industry.

I am sure the Army could make automobiles cheaper than anyone else if we took over General Motors.

Mr. BROWNSON. I certainly reserve my opinion on that point. The experience of this subcommittee has not indicated any such trend.

Mr. PRICE. The cost is what we have to look to.

Colonel LIBASCI. On the basis of cost alone, there again we should not be in any business.

Mr. PRICE. What is the main justification for it?

Colonel LIBASCI. The main justification is that we must maintain a trained nucleus of soldiers and officers so that we can use them in wartime in New Guinea, in south Africa, in north Africa, and the Philippines, and whatnot, wherever we have to operate out of trucks with these mobile units.

That is the No. 1 basis.

Secondly is service. We are able to give the service here to the soldier in training. A man without spectacles who needs them is no good to the Army, and you will lose him for 2 weeks until he is fitted with spectacles. We give 1 or 2 days' service to the man in training.

Mr. PRICE. On the basis of service, you would consider it justified even though it would cost more?

COLONEL LIBASCI. Quite.

Major General HAYS. May I add one thing to that statement?

In addition to the training of people to manufacture and repair spectacles overseas, it is very important that we have standardized spectacles, so that a man overseas who breaks one lens of his spectacles can get that repaired very simply. If we entered into one

contract which might vary from year to year between different manufacturers, we would get many different kinds of spectacles; so, our oversea boys would have all different kinds, and the replacement and repair overseas would be much more difficult. We standardize on a very, very simple type of frame.

Mr. CURTIS. Colonel, I want to ask this question, to be sure I am correct on this:

You do keep your commercial operation here separate from your school training and repair?

Colonel LIBASCI. Yes; we do. Incidentally, I would like to elaborate a little bit in Colonel Carter's experience.

He worked for 13 years with the American Optical Co., and his job was cost accounting and so forth, and he is using that same system here.

Mr. CURTIS. I want to suggest to you—and to partially clarify the question of Congressman Price—that, in our going into the details of any cost-accounting system of the armed services which it sets up, we realize it could be very possible that other factors entirely apart from the cost could enter in for consideration, but this subcommittee, of course, is concerned only with the expenditure factors.

The policy committee might well decide, even if this subcommittee were to come up with this and find that the cost is more, that for policy or other reasons you well might absorb it, and then some committee sometime might get down into the details and find out the cost.

Colonel LIBASCI. May I state that at present it has reached my knowledge that the Munitions Board has asked that a study be made. We are furnishing the necessary data at present to the Surgeon General to present to the Munitions Board on this manufacturing mission.

Mr. PRICE. Colonel, I am interested in your discussion—is it 1- or 2-day delivery, or what is your system of delivery?

Colonel LIBASCI. We mail them out. They are mailed out all over the United States. On some types, we mail out glasses in the morning; they get them in the afternoon or evening, and we have overnight service by mail to neighboring stations, Fort Leonard Wood, and places like that, and air mail to others.

Mr. PRICE. What about Korea?

Colonel LIBASCI. They have their own mobile units there. We furnish Korea with the raw material for frames and spectacles, and then they have these mobile units.

Do we have a mobile unit here now?

Lieutenant Colonel CARTER. No, sir; it has been shipped out.

Colonel LIBASCI. There is a truck on which is mounted everything needed, and we furnish those people with the soldiers and officers to man the unit, and the equipment to work with.

Now, if there are no further questions, the next mission we want to cover is the training mission. Page 25 of the brochure shows pictorially our four types of training mission.

Mr. BONNER. Before you leave that question, of your inventory compared to civilian-type shops, Mr. Brownson asked that such information as you can get on the question be inserted in the record at this point.

Mr. BROWNSON. Colonel, I think in that connection it would be fair to note, in arriving at that figure you have over here, where you are

running the optical shop, roughly an inventory of $100,000, or a 30-day supply, but that you are sitting on top of a depot right here in the same building which has a 6-month supply.

You are sitting on top of a depot right here in the same building which has a 6-month supply.

Colonel LIBASCI. Which is for the whole world.

Mr. BROWNSON. Well, which is for the whole world, servicewise, but I do think part of that depot supply has to be considered a part of your optical shop, because you are supplying yourself. It is a very unique situation, where you can go downstairs and replenish your supply. No optical company can do this, and it would be up to you and the colonel to decide what you felt should be prorated.

I think it should be prorated against this shop. I can see how they can operate on a 30-day supply level, where it takes American Optical Co. 60 days because you are sitting on top of this 6-month level, which simplifies your shop operation.

Naturally, a fair figure on the basis of your management experience would be helpful to us to a great extent.

Mr. BONNER. Colonel Carter, do you have an observation you care to make at this point?

Lieutenant Colonel CARTER. Mr. Brownson, I understand what you are driving at. The civilian laboratories have stock depots the same as the Army does, scattered throughout the United States. The nearest one here is Chicago. They receive shipments and replacements weekly for their short orders, and then they have a 2-week larger shipment to them also.

We are working on a 30-day level here, but we are permitted to work on a 60-day level, if we want to. For storage space and so forth, we consider a 30-day level sufficient to work on.

Mr. BROWNSON. I think that is wonderful, Colonel.

Lieutenant Colonel CARTER. Thank you very much.

Colonel LIBASCI. On this training mission, we are the sole source of training for supply and maintenance both for officers and enlisted men, Army, Navy, and Air Force.

This big course which we give is a course Major Fink heads up in medical-equipment maintenance. It is a 10-month course. The officers and enlisted men start off with basic mechanics, and end up with electronics, and learn how to repair and keep in operation this complicated medical technical equipment.

The main purpose for training these people is not necessarily to have a corps of men walking around with tools, officers, and enlisted men in the zone of interior, but the main purpose is preventive maintenance. These people are assigned to large hospitals like Fitzsimons and Letterman, one or two officers and maybe one or two enlisted men. They make sure their expensive equipment is kept at the highest degree of maintenance.

In the old days there was no such service. If an X-ray machine broke, we would write to some distant city for a repairman. We didn't have anything to keep it going. In other words, it is a preventative program.

Secondly, we want to thoroughly train these officers and enlisted men because we want them available in the field in wartime. There is nothing more frustrating than to have, say, a 500-bed unit, which I

have seen in the field, and have two or three X-ray machines to get out of repair, and have no one know how to repair them.

Your average doctor is not a good mechanic. These men are dispersed so that at present we have maintenance in every echelon. We have maintenance in our hospitals; we have field maintenance; we have basic maintenance at the big shop here. We are prepared here to completely strip any big equipment, and repair it. It is a large program, and we are at present graduating Army, Navy, and Air Force people. You you will see the school and the set-up this afternoon.

I want to point out that in our officers' medical-supply course, we train officers in depot work. It is sort of a rotating internship type of training. We have 15 or 20 men assigned to us, and they are given an internship. Some may ask for the overhead for this course; we have at present 1 officer and 2 enlisted men as complete overhead for a capacity of 25 or 30 officers.

Mr. BONNER. Let me ask you one question, there. They are not doctors?

Colonel LIBASCI. None of these men are doctors.

Mr. BONNER. I want to ask the general a question:

These men that you train, do they continuously stay in the Medical Corps, or do they have a tour of duty in the Infantry and Artillery, or some other place?

Major General HAYS. They stay in the Medical Service Corps.

Mr. BONNER. They are men that wear this insignia [indicating]?

Major General HAYS. Yes, sir.

Mr. BONNER. I want this observation in the record, because we have found in the Army men who were trained for certain specific duties at high cost to Government being sent to an Infantry unit, or some other unit very different from that for which the Government spent a lot of money training that particular man.

I just wanted to get this on the record, Colonel.

Colonel LIBASCI. I would like to bring up this point. I would like General Hays to comment on it. It is my understanding that we each have occupational numbers. Next to my name on my personnel card it says: "3500."

I cannot be assigned on any duty except 3500, for more than 30 days, at any post.

Colonel Carter has 4891, which is an optical officer. Wherever he goes, he must serve as that number. A post commander must report any man who is unassigned.

Mr. BONNER. We understand that; we just wanted to get this in the record.

INDIVIDUAL EQUIPMENT RESERVES

Mrs. HARDEN. Colonel, does your preventive maintenance program require individual equipment records for costly equipment?

Colonel LIBASCI. In the field?

Mrs. HARDEN. Yes.

Colonel LIBASCI. In our hospitals?

Major Fink, you've been out in the field on liaison trips, would you comment?

Major FINK. I would say yes, for the most part. I cannot make a definite statement, because I have not had too much experience in the zone of interior.

However, in the Far East Command, for the Eighth Army, there was kept for each major piece of equipment a medical equipment service card, and every time the equipment was serviced, if it were only oiled, for instance, a record was made of that.

Also, on that card was listed the replacement parts that were part of that equipment, and the date.

Colonel LIBASCI. Do we teach that in the school as part of the curriculum?

Major FINK. Yes, sir; that is the only way I can answer it. I am sure you will find cards on all expensive and heavy equipment.

Mr. CURTIS. Who is in charge of maintenance here?

Colonel LIBASCI. Maintenance is one of the missions under my command. There is just one in my division. You will meet that officer this afternoon.

Mr. CURTIS. He would have the answers on these questions that Mrs. Harden asked?

Colonel LIBASCI. Yes, sir.

Mr. CURTIS. Will you care to insert that in the record?

Colonel LIBASCI. Yes, sir; we will be glad to.

Mr. WARD. The point is not do you have a record on each piece of equipment, but do you have a maintenance record as to when it was maintained, or when some replacement was done, or a log for extra items of that kind?

Colonel LIBASCI. In the field. We will get you the answer.

Mr. BROWNSON. In connection with this optical equipment, I understand, or remember, that the Ordnance Department of the Army also goes into the optical field somewhat?

Colonel LIBASCI. The Ordnance is concerned only with the field trucks, vehicles that carry the mobile optical unit.

Mr. BROWNSON. I do not mean in connection with your optical shop; I mean in connection with the over-all Ordnance program.

Major General HAYS. May I explain that?

Mr. BROWNSON. If you would, please, sir.

Major General HAYS. Actually, our use of the word "optical" is wrong. It should be "ophthalmic," which covers eyeglasses.

Ordnance does not enter that field at all. We both deal with the science of optics, but ours is the spectacles. They have fire control, range finders, binoculars, and so forth. Theirs is a specialized thing.

Mr. BROWNSON. Is there any interchange of skills or techniques, equipment, for that type of operation between Ordnance and you?

Colonel LIBASCI. Very, very little. They have range finders, binoculars, and so forth.

Mr. BROWNSON. On that I was just wondering if they were running a training and maintenance program which parallels part of your program in the same areas at the same time, using a completely different set-up.

Colonel LIBASCI. No, sir; I don't think they do.

Mr. BROWNSON. There is not very much carry-over.

Colonel LIBASCI. No, sir; there is not very much overlap.

As I say, the details of these training courses are covered in the brochure.

The next mission is the return matériel mission. There is not too much now, but in the postwar days many stations would close down, pack up their equipment, and send it here for rehabilitation and reissue.

On page 29 I have a table showing how much of this equipment from closed-down stations has been rehabilitated. We have approximately 7,000 and an estimated money value of $5 million. You will see that operation in our maintenance shop.

Our reserve mission: that is the mission of restoring here mobilization reserve items. These items that have long procurement lead time that are hard to procure. Amounts and types of items are selected by the Surgeon General and distributed along the pipelines and kept where they will be needed in case of mobilization.

The other part of our reserve mission concerns very small quantities of a GSA stockpile in connection with strategic and critical materials program. Our last mission, assembly, is a very minor mission. Here we assemble certain items of veterinary materials for small veterinary kits.

Those, then, are our missions.

You may examine on page 34 some of the management tools we use. We have the best of standard business practices which we inherited from World War II, when we had the finest of the business brains putting up those methods and procedures for us.

We have the most modern equipment. We have installed new IBM accounting machines, the use of incentive programs. We have a very helpful suggestion program whereby civilians receive prizes or awards for any suggestions which save the Government money.

We have a very good safety program; a fair-employment board, a grievance committee, a post planning board, and so forth.

Mr. Bonner, that is the extent of my presentation. I would like to take you for a tour right now, and end up at lunch time, and then at lunch proceed to the South Annex, and take you through there, and then over to Jefferson Barracks.

Mr. BROWNSON. There is one question I would like to ask: I would like to have you comment, if you would be so kind, about your feelings in regard to use of revolving funds as a basis for medical supply.

We heard some testimony from the Secretary and Assistant Secretary of the Defense Department on that subject. You are here operating this large medical-supply warehouse, and I would like to know how you feel about that question.

Colonel LIBASCI. At my level, at the depot level, very little has reached me. I have absolutely no opinion. I have heard very little about it. I don't have enough facts; I don't know too much about it. That is a staff job. It isn't that I am ducking the question.

Mr. BROWNSON. No. I appreciate that.

Colonel LIBASCI. I don't know.

Mr. BROWNSON. If thoroughly studied, it would have a tremendous effect on your operation.

Colonel LIBASCI. It would, but it hasn't gone far enough for anyone to throw that at me and say how would it affect this depot. I will say this: We have had groups here from the Department of Defense, who came and studied the effects of the revolving fund on the depot.

SINGLE SERVICE MEDICAL SUPPLY DISTRIBUTION

Mrs. HARDEN. Do you think it more economical to have a single service storage depot, or not?

Colonel LIBASCI. Do you mean to have what we have now, for the Army and Air Force and Navy?

Mrs. HARDEN. Yes.

STANDARD FORMS AND PROCEDURES REQUIRED FOR SUPPLY UNIFICATION

Colonel LIBASCI. Of course, from my standpoint, it is only a matter of size; I could do it for the Navy and for anyone else, if they have common procedure and common forms. What it means, I will have to expand a little bit.

It will not affect the people at depot level. The problem there is not whether the depot could do it or should do it, but it is a higher-up problem. It can very easily be resolved at depot level. We can handle the Navy or Coast Guard or anyone with whom we can work out a procedure. If there is some method of working out a complete standardization it could be done.

In other words, I must get a requisition of a standard type. They must all be the same. I wouldn't want a form for the Army, Navy, and Air Force. They must all have the same number for their items. They must all have standard stock numbers.

You are asking the question: can we expand a little bit and take care of that situation, and the answer is "Yes"; we can expand a little, if that answers your question.

DEPOT COSTS IN MULTISTORY VERSUS SINGLE STORY BUILDINGS

Mr. WARD. Do your operating costs show any difference between Annex Building and this building, as to the cost per ton to handle?

Colonel LIBASCI. Are you referring to the relative difference of operating a multistory and single-story building?

Mr. WARD. Yes, sir.

Colonel LIBASCI. I would like to go over to that blackboard a minute. I operated a single-story warehouse in the postwar years, and I am now operating a multistory warehouse and a single-story warehouse at this depot. The answer to the question is that it is more economical and cheaper to operate from a single-story storage-type warehouse.

STORAGE COSTS 10 TO 15 PERCENT LESS IN SINGLE STORY DEPOTS

The storage cost would be less. How much less? I tried to arrive at a figure for 7 years. I would like to be able to tell you exactly how much cheaper, but I can't. My estimate is 10 to 15 percent cheaper in storage operation only.

Mr. WARD. You would roughly say 10 to 15 percent cheaper to operate out of a single-story warehouse? That would mean——

Colonel LIBASCI. Fifteen percent of storage costs. They are one-third of our total cost.

Mr. WARD. How much money does that involve on your present operations?

COULD SAVE $10,000 MONTHLY

Colonel LIBASCI. The storage costs at present are $100,000 per month. Let's say you would save 10 percent of it a month, that is $10,000. The reason is quite obvious. The principle of handling supplies of anything is this: You pick up something, and drop it, and pick it up again—it costs money. The ideal is to take it off the freight car and put it on a pallet, or truck, and leave it there—don't take it off until it arrives in its place at the warehouse. In a multistory building—now, even in the most modern building, I have seen this is not possible.

In a single-story building—you have the railroad track here [illustrating]; something comes in, say a carload of beds. Say your warehouse is here—you spot your carload up here, take it right off the car, and into the stack. The same is true when shipping them out again. Take them off the stack, mark them, put them on a conveyor headed for the car. You save perhaps 10 or 15 percent in operation.

The building cost is something else again, in single-story buildings. You don't need pillars. In the multistory type of building—we have a million square feet here, but how much consists of obstructions, pillars, stairways, and elevators? Sixty thousand square feet. In this single-type building it would run less than 1 percent. So there is a difference in cost of construction, difference in cost of operation. Many other factors are involved. Look at the maintenance of these elevators. I have a million square feet; yet the highest I can stack is 8 feet. In a single-story warehouse, I can stack 18 feet.

Mr. CURTIS. That gets to be a cubic problem there.

Colonel LIBASCI. Yes.

Mr. WARD. That agrees exactly with what Admiral Fox told the subcommittee.

COST OF BUILDING SUITABLE DEPOT

How long would it take to pay off, if you had the kind of depot that would be the most economical to operate—how long would it take to pay for itself? Do you want to develop that and give it to the subcommittee?

Colonel LIBASCI. At $6 per square foot, a million square feet would be $6 million. I think that is what we are restricted to by law, $6 per square foot. This building would cost $6 million. To develop savings, of course, would depend on how much you would put in or out of that warehouse in tons.

Mr. WARD. I know it is difficult. But it does look like an investment, on the basis of your statement.

Colonel LIBASCI. There is no question in the world but that it is much cheaper to work in a one-story building, and cheaper to build equivalent space in one-story buildings, if you don't build in the center of the city. But don't go out too far where you cannot get civilian personnel.

The one-story warehouse is cheaper to work from, cheaper to operate, more suitable in every respect. Take the elevators; we have a deferred maintenance project in the Mart Building for elevators amounting to a quarter million dollars.

Mr. PRICE. Would it be possible to give us some sort of cost analysis—take your time——

Colonel LIBASCI. What did we figure our requirement here would be, 2,000,000 square feet? That would be $12 million to construct.

Mr. WARD. General Hays figures they need 2 million square feet. That would be $12 million, regardless whether single or multiple story.

Colonel LIBASCI. For our present needs, that is what we need.

Mr. WARD. You don't have what you need now?

Colonel LIBASCI. No; we are using commercial storage facilities.

Mr. CURTIS. Is there any advantage of being in the downtown section of St. Louis for a medical supply operation?

Colonel LIBASCI. There is no advantage, except that we cannot get too far away. We have 1,000 civilian employees to consider.

Mr. CURTIS. Of course, actually, from the advantage of parking and getting to and from work, it is better to be out.

Colonel LIBASCI. As long as you don't go too far.

Major General HAYS. There is one advantage—in connection with procurement, you are closer. This depot doesn't do much procuring, but a little. Downtown is handier for procurement.

Mr. CURTIS. Handier for the salesmen of the companies.

Lieutenant Colonel WILSON. Colonel Libasci, there is another advantage in the city.

Colonel LIBASCI. This is Lieutenant Colonel Wilson, our executive officer.

STATEMENT OF LT. COL. G. H. WILSON, EXECUTIVE OFFICER, ST. LOUIS MEDICAL DEPOT

Lieutenant Colonel WILSON. There is another advantage. As long as we are in the city area, where we are using truck shipments we are able to obtain free pick-up and delivery service here. That would not be possible if we moved more than 7 or 8 miles. On L. C. L. truck shipments, there is a saving there, and it is pretty big. We don't get free service at South Annex, on some of the lines.

Mr. CURTIS. Don't you have a spur at South Annex?

Lieutenant Colonel WILSON. Yes, sir; but here in the Midwest we do use a lot of truck shipments.

Mr. CURTIS. From that angle, if the Government were the agent, then the Government could get the same thing if they went after it. They are big enough to get it.

Colonel LIBASCI. We should be out far enough that the real estate would be cheaper, but near enough that people get back and forth to work.

Is there anything else? I would like to take you on a tour of the building.

Mr. BONNER. Since we are discussing this building—is there a shortage of office space in St. Louis?

Colonel LIBASCI. I don't know.

Mr. BONNER. You have no idea?

Colonel LIBASCI. You mean in general?

COST OF CONVERTING MART BUILDING TO OFFICE SPACE

Mr. BONNER. You haven't heard anything on that, say through civic organizations—do you have any idea of the cost to convert this building to office space?

Colonel LIBASCI. Yes, sir; I do. That problem has been investigated by the Department of Defense, and I can quote you the figures.

Mr. BONNER. Who made the survey for the Department of Defense?

Colonel LIBASCI. The BOB—Bureau of the Budget—requested that the survey be made by the Department of Defense. The survey was made by the Chief of the Army Engineers. They have a division engineer in Omaha. They sent representatives down here to survey this building and answer three questions: (1) What is stored in this building? (2) How much is warehouse space? And (3) how much would it cost to convert this warehouse space?

At that time the building was 80 percent occupied; now it is 91.5 percent. The cost was estimated at $7.50 per square foot to convert it, plus $4 for air conditioning, which is an absolute must. The reason for this is that this building is one block square, 330 feet long. To put offices here [indicating center of building], even without partitions, would be impractical. It must be air-conditioned. I will show you, in the warehouse, what it looks like. People think of air conditioning as a luxury, but in this case it is not a luxury; $11.50 per square foot was the estimate for conversion.

Mr. BONNER. What is office space in St. Louis estimated to cost?

Colonel LIBASCI. I have no knowledge. I have heard $1, $2, $3. We are charging KMOX approximately $2 per square foot per month.

Mr. BONNER. What is the cost for construction?

Colonel LIBASCI. I don't know.

That means this figure of $11.50 times 860,000 square feet—it would cost about $10 million to convert, using this factor. This factor has been attacked as being too high; we don't know. The engineers did it.

In our own experience, we have four small areas of warehouse that we have converted to office space. The cost would depend partly on partitions, how many, and so forth. We converted areas which meant putting in ceiling, floor covering, walls, light, heat, electricity, toilet, windows, air conditioning; we have all stages of conversion. In one area for IBM, we included air conditioning; we had another without air conditioning. The cost ran from $5 a square foot to $16 a square foot.

Mr. BONNER. Are there any further questions by the committee? Mr. Price?

Mr. PRICE. This is only for my own information. Was that survey made at the time they were looking for facilities for moving the administration center out of the small-arms plant?

Colonel LIBASCI. No; before.

Mr. PRICE. Why were they making that survey?

Colonel LIBASCI. At the request of the Bureau of the Budget. I think on the basis that there was a shortage of Federal office space in St. Louis. They wanted to assure themselves that this Government facility was being used to its fullest capacity. Mr. Bendetsen came up with the recommendation that it be construed as a warehouse building as a result of the study, and should not be converted.

GOVERNMENT RENTS SPACE EQUIVALENT TO SIZE OF MART BUILDING IN ST. LOUIS AREA

Mr. WARD. The Government rents a million square feet in and around this area, which is about the size of this building.

Mr. CURTIS. Mr. Chairman, might I say on this, the St. Louis Chamber of Commerce has been concerned about that from time to time, and, if the committee wishes. I think maybe we will be able to get someone to testify on these over-all questions of building cost here in this area.

CONVERSION COSTS IN ST. LOUIS AREA

Mr. WARD. I think it is hardly fair to ask the colonel to give us engineering costs. That is a matter for the Public Buildings Administration or someone else.

I think it should be gone into on a very objective basis as to what the cost would be.

Mr. PRICE. I have always found Army engineer surveys to be much lower than the actual cost in this area. PBA gave figures that varied greatly from that.

Colonel LIBASCI. Mr. Ward, I have actual figures. We went out and got contractors who converted parts of the warehouse. I know what it costs. I want to show you those places. When we go through the building, I want to show you the areas we have converted.

Mr. BONNER. When the Army finance center moved out, were they renting space, or was it Government-owned space?

Mr. BROWNSON. That was the small arms ordnance plant. It was a surplus war plant taken over by the Government at the end of the war, and has now been reactivated. A United States defense corporation is operating there now. That is why they moved out.

Mr. WARD. What was the size of the conversion you made? How many square feet of space?

Colonel LIBASCI. 4,300 square feet. This is what we did: 75 lineal feet of partition—floor, ceiling, and lights. Additional radiators, dark room, and approximately 1,200 square feet of ceiling with acoustical tile; $5.52 per square foot was the cost of converting the area.

Mr. BONNER. Was that done by contract after bids?

Colonel LIBASCI. Government contract; yes, sir.

Mr. CURTIS. What year was that?

Colonel LIBASCI. Last year.

Here is another area. Larger; 5,600 square feet, including 140 lineal feet of partition, floor, lights, additional radiators, a small amount of air conditioning, and painting; cost, $4.50 per square foot.

Mr. CURTIS. What year was that?

Colonel LIBASCI. All figures are within the last 12 months. Then, here is another area: 6,400 square feet. This included 316 lineal feet of partitioning—floor, ceiling, painting, toilet room, air conditioning—$7.58 per square foot.

Major General HAYS. That, by the way, was 2 years ago.

Mr. WARD. I might say, Mr. Curtis, that some of the difference between these figures and can be attributed to the size of the job and to air-conditioning. Public Buildings Services converted the Rand-McNally Building (510,000 square feet) in Chicago, Ill., from factory

and warehouse space for $4.01 per square foot. Also the Loeser Building in Brooklyn, N. Y. (262,357 square feet), at a cost of $5.18 per square foot. These figures do not include air conditioning. (See St. Louis Exhibit 2, p. 154.)

Colonel LIBASCI. Now, we have another area, of 4,800 square feet. This included 440 lineal feet of partition. Floor covering, ceiling, wall tile—this was laboratory—air conditioning, special installation of equipment, and paint. No toilets. $16.74 per square foot.

Mr. BONNER. That was by contract?

Colonel LIBASCI. All by contract, low bid. We find, of course, like everyone else does, the cost grows as you get in the bids. I will show you these areas. I don't think there is much discrepancy, Mr. Ward, in your $5 figure; if you add the $4.50 air conditioning, it comes out $9.50.

Mr. PRICE. When you put it out on bids, it all depends on how much work there is in the area at the time—for the contractors—and whether they have a lot of work. They do not bid high if they are looking for work.

Mr. BONNER. One more question: If the warehouses were constructed in the suburbs of St. Louis, and according to the estimated additional cost in operating your facility in this building, how long would it take to amortize the construction of the warehouse cost?

Colonel LIBASCI. That is the question Mr. Ward asked of me——

Mr. BONNER. Didn't you say it cost about 15 percent more to operate in this building than in a single-story-type building in the suburbs?

Colonel LIBASCI. That is right; 15 percent of storage costs only, which are one-third of the total costs.

Mr. BONNER. In 10 years you would amortize the cost of the building.

Colonel LIBASCI. That is not on the gross. We can save 10 to 15 percent on storage cost only, and the storage costs are one-third. So, really, it would be about 3 percent of my gross cost.

Mr. BONNER. Storage is one-third of the total operation?

Colonel LIBASCI. In money value, we can save 10 percent of one-third.

Any further questions? Now we are ready for the sightseeing tour.

Mr. BONNER. Colonel, and the members of your staff, and General Hays, on behalf of the subcommittee, I wish to thank you for this presentation here this morning, and we are looking forward to a tour of the installation.

(Whereupon, at 10:50 a. m., the subcommittee recessed.)

(St. Louis exhibit 1 follows:)

ST. LOUIS EXHIBIT 1

ST. LOUIS MEDICAL DEPOT ORGANIZATION

History

The St. Louis Medical Depot was established in 1906 in the downtown section of St. Louis. Fourteen years later it was moved to the site of the old St. Louis Arsenal which is located in the south river-front section of the city. Here it became a medical section of the general intermediate depot.

In 1927 the post was designated the St. Louis Medical Depot and it continued as such until 1941 when the Government purchased the St. Louis Mart Building located at Twelfth and Spruce Streets, for a price of $2,750,000. Building No. 40 (which is the Army name for the 20-story Mart Building) became the principal administrative headquarters and storage area of the depot. The installation

at the arsenal location was designated the Arsenal Reservation of the St. Louis Medical Depot and served as a maintenance shop and storage area.

The buildings and land located at 8900 South Broadway and owned by the Reconstruction Finance Corporation were rehabilitated and transferred to the Department of the Army during the year 1951. This after rehabilitation is now designated the South Annex St. Louis Medical Depot.

In 1952 the arsenal reservation was officially transferred to the Department of the Air Force after 126 years of occupancy by the Army.

This loss of one type of building and space and the acquisition of an altogether different type required a reassignment of activities to fit the space acquired. Some of the activities located at the Mart Building were sent to 8900 South Broadway whereas other appropriate activities from the arsenal were sent to Twelfth and Spruce Streets to achieve maximum utilization of space and personnel.

At the 1952 evaluation of the real estate it was determined that the property at Twelfth and Spruce Streets had increased in value to $10,542,139. The property at the South Annex is considered worth $2,485,558. This valuation does not include the furnishings or medical supplies stored therein.

At present, therefore, the St. Louis Medical Depot consists of the Mart Building at Twelfth and Spruce Streets and the South Annex at 8900 South Broadway.

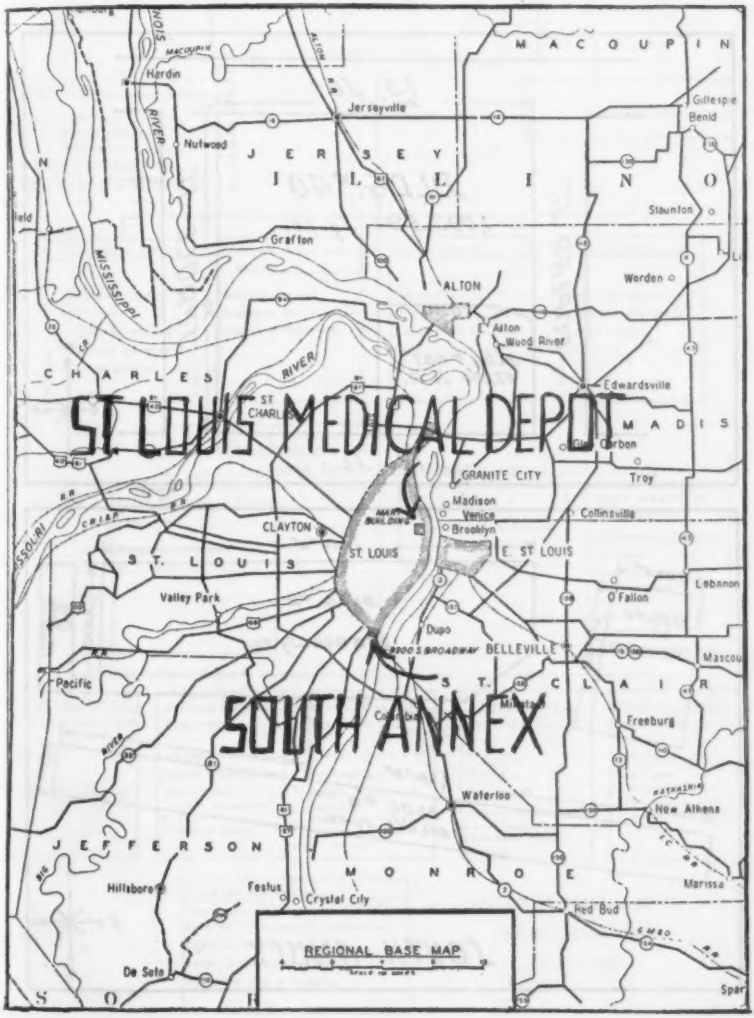
General

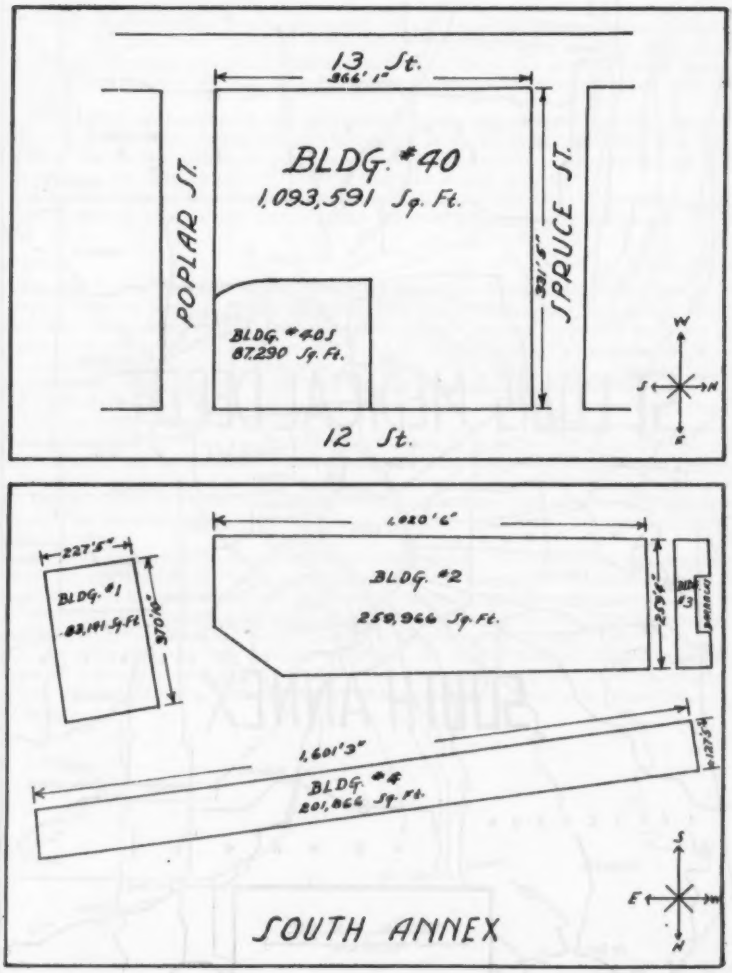
The St. Louis Medical Depot is one of the three branch depots of the Army Medical Service located in the United States. A branch depot is a supply establishment designated by the Director of Logistics, which normally handles the supplies of one technical service only. As a branch depot the responsibility for the supervision of all housekeeping functions such as utilities, transportation, security, etc., is that of the Army Medical Service. Technically trained personnel and funds to provide these services are supplied by the area Army commander in which the branch depot is located.

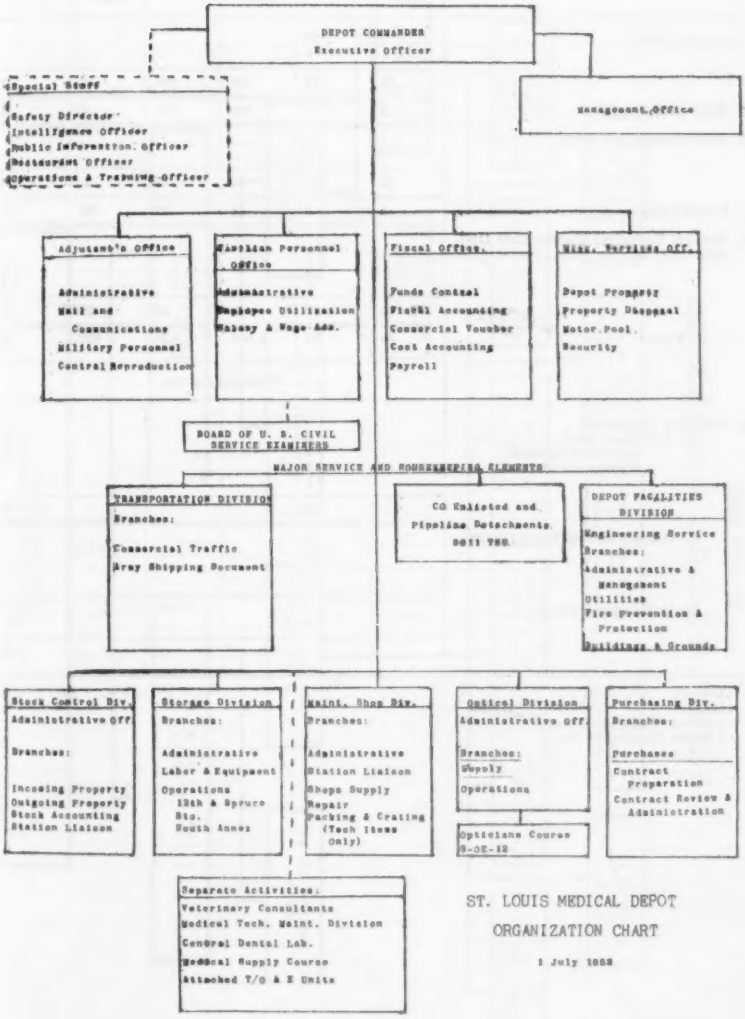
The St. Louis Medical Depot is a distribution type depot. A distribution mission includes the responsibility for supply of items suitable for dispersed storage to requisitioners located within an assigned geographical area. Factors influencing the selection of items to be distributed under this type mission are plentiful supply, no special storage or handling methods required, frequent recurring demand, etc.

A key mission has also been assigned to this depot. This includes the responsibility for the supply of items not appropriate for storage at multiple points, to requisitioners located within an extensive geographical area. Factors influencing the selection of items to be distributed under this type of mission are short supply, special storage or handling requirements, infrequency of demand, etc.

Along with the missions referred to above, St. Louis Medical Depot has other important missions which will be described in detail, such as assembly, maintenance, manufacturing, procurement and inspection, returned matériel, and training.


ST. LOUIS MEDICAL DEPOT
SOUTH ANNEX
REGIONAL BASE MAP
MACOUPIN
JERSEY
ILLINOIS
CHARLES
MADISON
ST. LOUIS
CLAIR
JEFFERSON
MONROE
Hardin
Jerseyville
Nutwood
Grafton
ALTON
Alton
Wood River
Edwardsville
Staunton
Worden
Gillespie
Benld
Carbon
Troy
Collinsville
GRANITE CITY
Madison
Venice
Brooklyn
E. ST. LOUIS
CLAYTON
ST. LOUIS
Valley Park
O'Fallon
Lebanon
Dupo
BELLEVILLE
Pacific
Freeburg
Waterloo
New Athens
Marissa
Hillsboro
Festus
Crystal City
Red Bud
De Soto
MISSISSIPPI
RIVER


13 St.
366' 1"
BLDG. #40
1,093,591 Sq. Ft.
POPLAR ST.
SPRUCE ST.
331' 4"
BLDG. #40S
87,290 Sq. Ft.
12 St.
W
S
N
E
227'5"
BLDG. #1
83,141 Sq. Ft.
370'10"
1,020'6"
BLDG. #2
258,966 Sq. Ft.
255'4"
BLDG. #3
1,601'3"
BLDG. #4
201,864 Sq. Ft.
SOUTH ANNEX



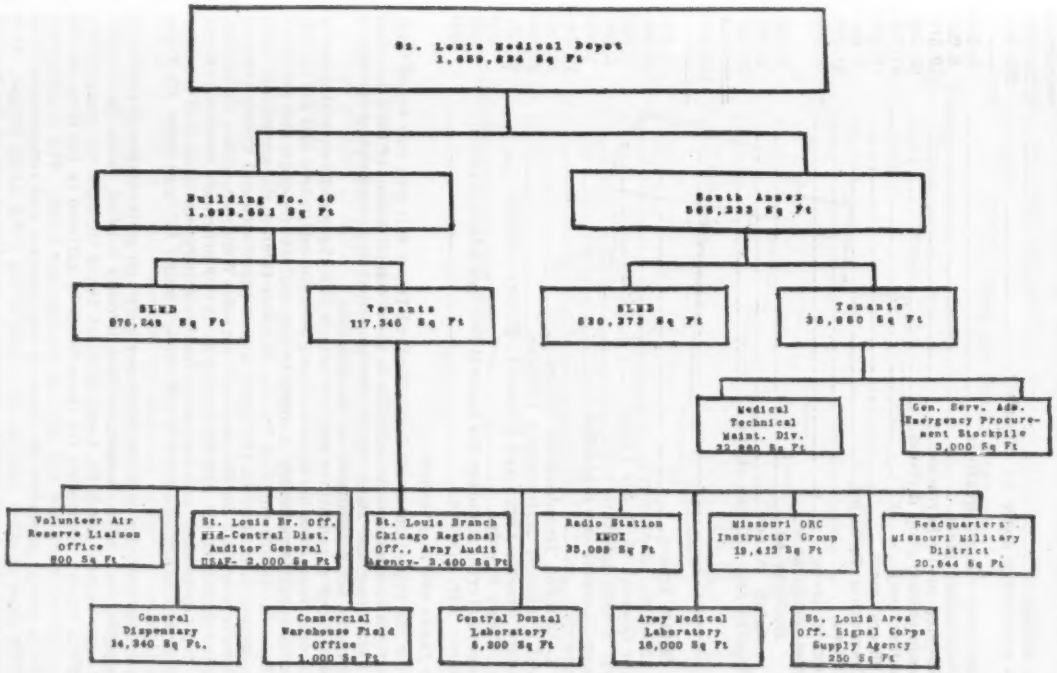
ST. LOUIS MEDICAL DEPOT
ORGANIZATION CHART

1 July 1953

Personnel strengths and operating ceilings, June 30, 1952

	Officers		Civilians		Enlisted men	
	Authorized	Actual	Authorized	Actual	Authorized	Actual
1. Supply (TSU)		26				
		[1] 8				
	34	34	699	686	3	3
2. Fifth Army (ASU)	3	3	220	211	0	0
3. Base maintenance shop		6				
		[1] 4				
	12	10	89	89	0	0
4. Optical shop	5	2	31	28	69	69
5. Medical Technical Maintenance Division		7				7
		[1] 1				[1] 1
		[2] 2				[2] 3
	10	10	16	14	28	11
Total	64	59	1,055	1,028	100	83
	Training courses					
6. Training (students):						
(a) Armed services		6				40
Medical equipment		[1] 3				[1] 11
Maintenance course		[3] 3				
		[4] 1				
		13				51
(b) Officers medical supply course		3				
		[1] 1				
		4				
(c) Opticians course						17
		[1] 4				[1] 11
						28

[1] USAF.
[2] Navy.
[3] Chinese Nationalist Army.
[4] Chinese Nationalist Navy.



DISTRIBUTION OF SPACE AT ST. LOUIS MEDICAL DEPOT

31 July 1952

Total space at St. Louis medical depot

1,569,824 square feet, July 31, 1952

	Square feet
St. Louis medical depot	1,506,618
Gross storage	1,257,000
Gross nonstorage space as follows	249,618
Bachelor officers quarters	5,000
Duplicating plant	6,000
Enlisted men's barracks	19,518
Maintenance shop division	65,530
Motor pool	41,768
Officers' mess	6,400
Recreation facilities	5,600
Offices	61,276
Optical shop	5,200
Post restaurants:	
Building 40	9,800
South Annex	2,543
Repairs and utilities shops	20,983
Tenants	153,206
Army Audit Agency	2,400
Army Medical Laboratory	16,000
Auditor General, U. S. Air Force	2,000
Central dental laboratory	5,200
Commercial warehouse field office	1,000
Dispensary	14,340
KMOX-Columbia Broadcasting System	35,099
Medical Technical Maintenance Division	32,860
Organized Reserve Corps and Missouri Military District	40,257
Signal Corps Supply	250
Strategic and critical storage for General Services Administration	3,000
Volunteer Air Reserve	800

Operating funds and their source

Funds for the operation of St. Louis Medical Depot fall into two broad categories, those which are consumed directly in the accomplishment of the prescribed mission of the depot and those which are consumed in housekeeping operations incidental to the accomplishment of the mission.

The bulk of our expenditures are for things like the purchase, maintenance and repair, and transportation of medical supplies and equipment and for payroll and operating supplies necessary in order to buy, maintain, repair, and transport them. These funds are supplied by the Surgeon General in accordance with budgets prepared in advance on the basis of past experience and known plans or modifications in workload for the projected period. With some minor exceptions, budgeting for these funds is done by the depot. A few programs, however, are not known to depot personnel, and budgeting for these purposes is done at a higher level. These are things like reserve activities, foreign aid, and some Air Force programs.

Housekeeping funds for such purposes as repair and maintenance of buildings, security guards, fuel, wire communications, laundry service, motor pool operation, and some others, reach St. Louis Medical Depot through the commanding general, Fifth Army. Budgeting for these funds is initiated in the depot on the basis of projected workload for each of the various items. The commanding general, Fifth Army, prescribes the form of and receives and consolidates these budgets with those of other stations, as a part of the Fifth Army budget. It is on this basis that the Army funding program is established and on the basis of the Army funding program that funds are allotted to St. Louis Medical Depot. Small amounts of money for specific purposes within this category are also provided by other agencies, usually as the occasion arises, for the reason that budgeting and fiscal planning can best be done at a higher level of command. Funds for motor vehicle and materials handling equipment spare parts, repair of furniture

and other quartermaster equipment, stationery and office supplies are obtained by this method.

In addition to those funds which are consumed directly either in connection with our mission or for depot housekeeping needs, St. Louis Medical Depot acts as a fiscal agent for stations in its distribution area insofar as their expenditures for medical supplies and equipment items are concerned. As such, the depot receives, distributes, supervises the expenditure of, and accounts for, funds which are actually consumed in the medical supply activities at the stations.

Mission

Supply

The primary mission of the St. Louis Medical Depot is the distribution of all classes of medical supplies and equipment to the Army and Air Force.

In the interests of economy all classes of medical supplies and equipment are not distributed from each of the medical depots. It would be uneconomical to store expensive items, slow moving items, items with short expiration dates, and items requiring special handling in each depot. Such dispersal would be wasteful. Control from one depot avoids waste.

Items of this nature are designated key items. These are distributed (stored and issued) from one point only, the St. Louis Medical Depot. Such items are X-ray machines, biologicals requiring refrigerated warehouses, optical lenses, teeth, certain technical equipment, etc.

The St. Louis Medical Depot therefore has a dual supply mission; (1) distribution of ordinary routine medical supplies and equipment to stations within its geographical distribution area (see map) and (2) distribution of key items to the entire Army and Air Force in both the zone of interior and overseas.

The distribution area for ordinary routine (nonkey) items includes the following States:

Fifth Army:
- Michigan
- Wisconsin
- Illinois
- Indiana
- Minnesota
- Iowa
- Missouri
- Kansas
- Nebraska
- South Dakota
- North Dakota
- Colorado
- Wyoming

Fourth Army:
- Oklahoma
- Arkansas
- New Mexico
- Texas
- Louisiana (except New Orleans port of embarkation)

Second Army:
- Ohio
- Kentucky

In addition to serving 113 major installations in these areas there are also 350 satellite stations. These major installations submit their requisitions for medical supplies on a bimonthly basis and each has assigned a requisitioning date to insure the flow of requisitions into the St. Louis Medical Depot at a scheduled uniform rate. This schedule does not prevent the stations from submitting special or emergency requisitions when necessary. A record of all unscheduled requisitioning is maintained by stations and if it appears that the unscheduled requests are above average it is discussed when the liaison officer from this depot visits the station involved.

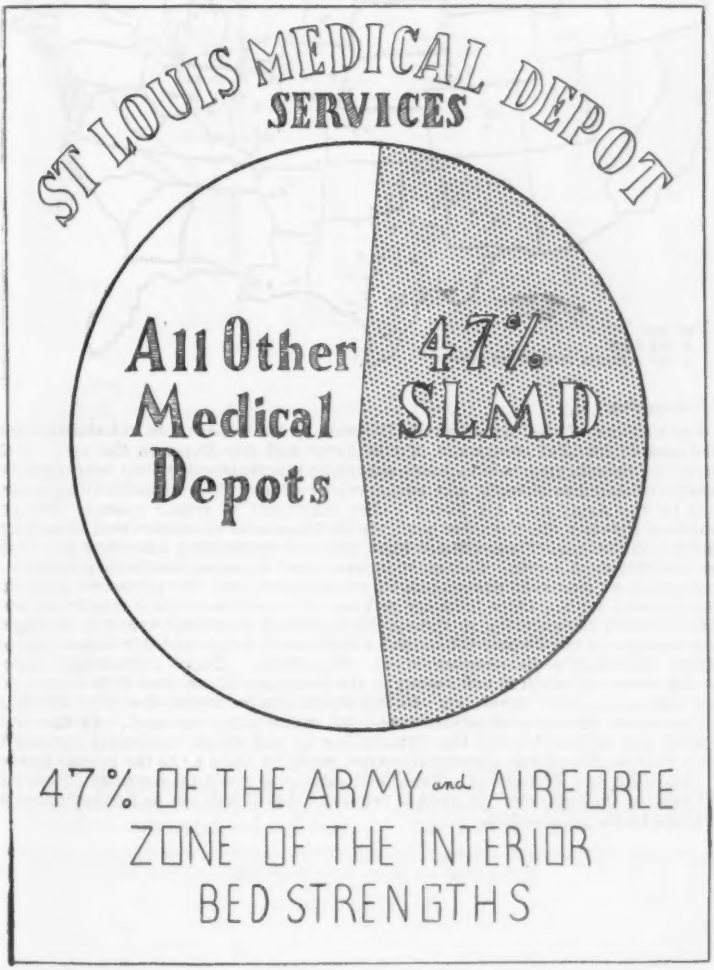
The distribution of key items follows a different pattern than that of the routine items. Army and Air Force stations not located in the St. Louis Medical Depot distribution area requisition direct from the St. Louis Medical Depot for some items such as biologicals whereas requisitions for items such as X-ray equipment are channeled through the distribution depot in their own Army area for editing and thence to St. Louis.

Liaison visits are made at least every 90 days to each station within the distribution area with the object of reviewing the station inventory and the supply records of the station supply officer. This review determines if the station is complying with all instructions outlined in the medical supply information letters issued by the St. Louis Medical Depot. The liaison officer is empowered to make on-the-spot recommendations to the commanding officer as to the return or transfer of property in the event the stock appears excessive to the needs of the station.

To illustrate the extent of the supply distribution mission attention is directed to the average of 1,373 tons of medical supplies shipped each month to Army and Air Force stations. This figure is based on the monthly average of the period from January to June 1952. During this same period an average of 75,425 line items were shipped. The above two figures mentioned represent an average of 46,090 packages shipped every month of this period.

Evaluation of St. Louis Medical Depot Stock (tons)

1. On hand as of the end of fiscal year 1952	27,047
2. On hand Air Force	8,385
3. On hand Navy	------
4. On hand Army	18,662
Less: Stocks for the following specific elements and programs which cannot be equated with previous issues	
5. Mobilization reserve	12,706
6. Foreign aid and other nonapplicable assets (nonrepairable, surplus, salvage)	521
7. Approved operational projects and planned unit augmentation of the Army	196
8. Total tons to be deducted	13,423
9. Tons remaining for comparison with past issues	5,239
10. Projected monthly issues	880
11. Number of months stock on hand (line 9+line 10)	5.9


ST LOUIS MEDICAL DEPOT
SERVICES
All Other Medical Depots
47% SLMD
47% OF THE ARMY and AIRFORCE
ZONE OF THE INTERIOR
BED STRENGTHS

Maintenance

The mission of the Maintenance Division is the repair and rehabilitation of all types of medical equipment of the Army and Air Force in the zone of the interior. Specifically, this includes operating a maintenance shop with facilities capable of doing practically any major repair of any piece of medical equipment used by the Army and Air Force. (See statement of repair costs.) The personnel of the shop, for the most part, are civilians who are supervised by military officer technicians. These officers have received specialized schooling and training for this type work. The most modern and accepted business practices of production at low cost are employed at the shop and the personnel maintain close contact with private industry to keep informed on all new repair methods.

In addition to operating this shop, depot liaison personnel are sent on inspection and repair trips every 6 months or less, to all Army and Air Force stations within the depot's distribution area. (See map.) These technicians inspect all the technical medical equipment in the hospitals to see that it is being operated and maintained carefully. In the event repairs are needed they are made to the extent of the technician's tools and spare parts on hand. In the event repairs are needed beyond the capabilities of the repair materials carried by these liaison officers recommendations are made by them as to the proper method of obtaining new equipment. Technical advice is given on methods of packing and crating the equipment in need of repair so that it will not be further damaged en route to the repair shop.

Maintenance Shop Division—Value of medical equipment repaired and repair costs, 1949–52

	Total value of equipment repaired	Total repair cost		Total value of equipment repaired	Total repair cost
1949—			1951—		
May	$314,684.89	$68,893.59	January	$454,241.70	$87,890.25
June	241,536.49	32,202.15	February	757,838.46	140,626.88
July	259,944.69	37,271.14	March	804,180.78	95,004.29
August	242,226.05	51,885.64	April	785,653.03	128,630.16
September	262,344.22	40,423.49	May	681,935.12	118,406.78
October	200,970.87	34,814.27	June	484,758.71	96,097.61
November	314,426.15	34,602.30	July	196,512.07	50,195.11
December	208,417.68	27,996.27	August	331,348.44	92,100.83
1950—			September	326,164.81	67,581.68
January	250,425.63	33,519.82	October	306,801.79	42,349.20
February	189,025.14	23,600.99	November	172,678.45	17,980.82
March	252,590.78	33,709.04	December	286,866.65	43,858.03
April	228,317.70	39,368.89	1952—		
May	305,502.44	38,089.10	January	565,491.75	120,704.94
June	241,618.46	39,840.90	February	471,527.36	88,472.47
July	570,877.46	79,092.01	March	360,082.37	66,909.30
August	653,796.30	74,102.66	April	489,453.15	60,946.43
September	549,320.27	86,713.79	May	361,844.16	49,559.63
October	671,508.82	79,358.69	June	313,456.06	38,569.03
November	531,143.80	71,223.99			
December	754,246.53	79,133.33	Total	15,653,739.31	2,411,695.50

Manufacturing

The optical shop manufactures spectacles for all Army and Air Force personnel located in the zone of the interior with the exception of the Sixth Army area. Spectacles are also manufactured for all Army and Air Force personnel located in Puerto Rico and Newfoundland. The shop fabricates for all overseas commands spectacles that are beyond the capabilities of their equipment and stock.

The personnel of the shop consist of civilian and military enlisted opticians with technical and administrative supervision being accomplished by trained technical officer personnel. The military personnel have all received either formal training in optics at the opticians course located here or were opticians prior to serving in the Army.

As with the maintenance shop, every effort is directed toward modern production methods at the lowest cost possible. (See cost comparison.) Close liaison is maintained with private industry who have been most cooperative in making studies of machinery lay-out and methods to permit the shop to achieve maximum production with a minimum of equipment and manpower.

The average fabricating time for spectacles made at the optical shop is as follows:

All orders:
53 percent fabricated in 1 to 2 days
32 percent fabricated in 3 to 4 days
15 percent fabricated in 5 to 7 days

POR or trainee orders
77 percent fabricated in 1 to 2 days
14 percent fabricated in 3 to 4 days
9 percent fabricated in 5 to 6 days

Constant liaison is maintained with all Army and Air Force stations to render the best possible service consistent with good workmanship.

Cost differential between commercial quotation given by the American Optical Co. and actual Government cost per pair of spectacles, based upon 305,511 pairs of spectacles fabricated by the St. Louis Medical Depot during the year 1951

Type	Amount fabricated	Price quotation given by American Optical Co.		Actual Government cost [1]		Savings
		Per pair	Total	Per pair	Total	
Single vision lenses with gold-filled frame and case	186,362	$4.96	$924,355.52	$3.14	$585,176.68	$339,178.84
Single vision lenses with zylonite frame and case	103,874	4.04	419,650.96	2.48	257,607.52	162,043.44
Bifocals with gold-filled frame and case	9,165	6.52	59,755.80	3.91	35,835.15	23,920.65
Bifocals with zylonite frame and case	6,110	5.60	34,216.00	3.15	19,246.50	14,969.50
Total	305,511		1,437,978.28		897,865.85	540,112.43

[1] Includes: Pay of civilians; pay and allowances of military personnel; utilities; cost of space; custodial services; depreciation of equipment; supplies and equipment consumed.

Training

The officers medical supply course is one of the many training missions assigned the St. Louis Medical Depot. This course is for officer personnel only of the Army and Air Force and is administered by the Army. Its length is 10 weeks and it can accommodate 20 officers. The yearly capacity is approximately 80. The course is presented as an on-the-job basis and is intended to provide the student officer with a basic background in depot functions that will assist him in any medical-supply assignment he may receive.

The armed services medical equipment maintenance course (8–OE–11) presented here at the depot is for both officers and enlisted men of the Army, Navy, and Air Force. The course is administered by the Army with technical supervision emanating from the Armed Services Medical Procurement Agency. Military instructor personnel are members of the three armed services mentioned and are provided through the Armed Services Medical Procurement Agency, as are the civilian instructors used. The course is of 40 weeks duration and a new class of 15 pupils is started every 4 weeks. This arrangement makes possible the graduating of approximately 180 students per year. The course is intended to present to the student the methods and reasons for proper preventive maintenance and care of technical medical equipment. Upon completion of the course the student is potentially capable of repairing any piece of medical equipment used by the armed services provided necessary parts and repair equipment are available.

The opticians course (8–OE–12) given here is for both officers and enlisted men of the Army and Air Force. It is administered and supervised by the Army. Instructor personnel are military members of the Army. The course is of 24 weeks duration with a graduating capacity of 80 students per year. Instructions consist of approximately 6 weeks didactic training and the remainder is practical application. Students are trained to use every type of optical equipment used in the zone of the interior and in a field unit.

There is to be initiated in October 1952 a basic medical equipment maintenance course for Army enlisted men only. It is to be administered and supervised by the Army and is intended to be a 16-week course with a new one starting every 10 weeks, graduating approximately 100 students per year. This course is intended to impart a basic knowledge of medical equipment concerning preventive maintenance and care. This is on a much lower level of training than is given in the armed services medical equipment maintenance course (8–OE–11). It is intended that these men when in the field will know how to pack, unpack, and set up medical technical field equ pment.

The depot also provides training facilities for the unit training of various optical and maintenance detachments. These detachments are tactical units designed to operate under combat conditions. During their unit training here they are given training in the Optical and Maintenance Shops. Technical supervision by depot Army personnel is given them in their training when the units are operating out of their mobile shops.

Returns

The returns mission of this depot is to receive, inspect, and store all St. Louis Medical Depot key items of excess medical equipment returned from all Army and Air Force stations located in the zone of the interior and from all overseas commands.

In addition all classes of excess medical supplies returned from Army and Air Force stations in the depot distribution area are similarly prepared for reissue with the exception of items that are keyed to other installations.

Shipments of excess stocks from Army and Air Force stations are tallied in and classified. Original packages are spot checked and stocked for reissue unless this check indicates the necessity for a complete inspection. Mixed boxes are opened and unpacked, the articles segregated by catalog classes. Inspection for serviceability and disposition as serviceable and unserviceable stock follows. Loose stock which cannot be made up into standard-sized packages for storage and issue is utilized for shelf stock.

Excess returns—From all Army and Air Force stations located in the zone of the interior and from all overseas commands, tons

	1947	1948	1949	1950	1951	1952
January		100	99	263	90	75
February		61	62	168	84	54
March		113	85	122	46	166
April		31	171	113	118	184
May		71	112	121	67	223
June		55	242	52	104	83
July	676	25	142	78	54	
August	242	37	109	69	85	
September	169	32	158	49	87	
October	182	116	183	63	91	
November	105	60	224	79	89	
December	117	42	158	52	73	
Total	1,491	743	1,745	1,229	988	785
Grand total						6,981

Estimated money value, $5,235,750.

Reserve

The reserve supply mission of the St. Louis Medical Depot is directed toward maintaining a mobilization reserve stock for all classes of medical supplies (except for key items for which St. Louis Medical Depot is not responsible) in accordance with instructions emanating from the Requirements and Stock Control Branch, the Surgeon General's Office, United States Army.

Certain functions are performed for the General Services Administration in connection with the strategic- and critical-materials program.

Assembly

The assembly mission of the St. Louis Medical Depot receives its impetus from the decisions of the Departments of the Army and Air Force concerning troop strengths and the number of units to be put into the field.

The assemblies made up here at the depot consist primarily of major and minor veterinary food-inspection units for field use by the Army and Air Force.

Some of the other assemblies made up here are egg-inspection kits, mallein test sets, meat- and dairy-inspection kits, mobile optical truck equipment and supplies, and various teeth assortments.

During the first half of this year 423 minor assemblies and 3 major assemblies were made at this depot. There were 8,567 minor assemblies made, but no major assemblies made in 1951.

MANAGEMENT TOOLS

In Government, as in other business, cost accounting has proven to be one of the most important of management tools. It is used for many purposes.

Appropriate portions of the cost-accounting reports are abstracted and made available to various division chiefs for an analysis of month-to-month cost trends.

The commanding officer and division chiefs review published cost data from other medical depots in order to obtain a comparison. Unusual and unfavorable trends are investigated with a view to obtaining maximum efficiency.

Cost-accounting data is an invaluable source for the study of trends and workload data. Questions concerning the need for or justification of requests for additional personnel or equipment are frequently resolved through this analysis.

The commanding officer uses a number of boards, committees, and councils to handle phases of operations that involve investigations; or that involve use of certain nonappropriated funds, somewhat in the nature of a trust; or that require certain legal or quasi-legal decisions or affect the rights of individuals under the laws or other obligations that surround management of a large group of people.

Certain services, necessary to the operation of an Army post, are not provided for by money appropriated by the Congress. Such services are furnished by the cooperative efforts of those who require them and are financed by revenues accruing through their operation on a nonprofit or nominal-profit basis. In all such cases, a board or council composed of participants in the benefits of the fund or activity determines the scope and extent of the activity and controls the funds with such assistance as the commanding officer is able to give them. The civilian welfare fund, the post restaurant, the unit fund for the welfare of enlisted men, the bachelor officers' quarters, and the officers' open mess are operated to furnish these welfare and morale-building services.

The economy and conservation committee keeps a watchful eye on the costs of housing, lighting, heating, and repairing the facilities of the depot, and maintains a continuing program to see that operating officials are ever alert to opportunities to save appropriated moneys in their conduct of depot business.

A management survey conducted in 1949 at the St. Louis Medical Depot found that a commercial traffic bulletin was being misinterpreted to require that all fragile items be shipped by railway express. After the study determined that, of all the fragile items, only X-ray tubes should be shipped express, approximately $30,000 per year has been saved by shipping the other items by motortruck or freight.

The post planning board, on which all elements of the post are represented, advises the commanding officer regarding the present and future use of buildings and other facilities and the need for changes, improvements, and new construction. It also coordinates information and advice concerning activities not under the direct control of the commanding officer and, by means of long-range planning, prevents major changes on the basis of snap judgment or temporary conditions.

The grievance committee is a group of employees and officers set up under the civil-service program to hear grievances of employees against management and to determine and recommend corrective measures or solutions of the problems on an individual basis. It gives an impartial hearing in each case, and during such hearings employees are assisted in presenting their cases and adjusting their difficulties.

The fair-employment board is empowered to hear, determine right and wrong, and recommend corrective measures in the event any employee thinks his personal rights or constitutional guaranties have been violated by the depot as his employer. St. Louis Medical Depot is proud of its record of never having had to convene this board to hear a case.

The personnel authorization committee examines the allotment of personnel to each operating activity of the depot and recommends changes in the strengths of operating divisions in accordance with workload data, changes mission, and other circumstances surrounding the operation of the depot.

The enlisted personnel-classification board and enlisted promotion board investigate and make recommendations concerning these important phases in the careers of enlisted men.

ACCIDENT PREVENTION

The current accident-prevention program was published April 29, 1952, and is in accord with Army-wide policies. Similar programs were in effect during the past several years.

Under the program, responsibilities are charged to the chiefs of divisions and administrative offices to establish sound, practical, and effective programs to suit the needs of their activities, and to use all necessary means to achieve a continuing and progressive program for the prevention of all accidents and injuries to personnel, to motor vehicles, or to other property.

In 1949, on the average, 100,000 man-hours were worked per month. 1,624,346 man-hours were attained before a lost-time accident occurred in August 1949. The million man-hour mark was again passed (1,115,806), before a lost-time accident occurred in August 1950.

During 1951 there was an increase of over 400,000 man-hours worked during the year, and also an increase of six lost-time accidents.

Since January 1, 1952, through July 31, 1952, there have been four lost-time accidents, with an increase in man-hours worked from 10,000 to 70,000 per month over the period between 1949 and 1950.

During the period January 1, 1949, through July 31, 1952, 1,301,573 miles were driven by Government vehicles. During this time, 14 motor-vehicle accidents occurred, giving an average frequency of 1.07 accidents per 100,000 miles.

Military personnel worked 279,417 man-days during the period January 1, 1949, through July 31, 1952, with a total of eight lost-time accidents, a frequency of 2.86 accidents per 100,000 man-days.

Chiefs of divisions, administrative officers, supervisors, and employees are actively taking part in the installation's program by being members of the staff council, supervisors' panels, deputies for the division chiefs, and branch or section accident spotters.

On-the-job individual, supervisory, and division-level safety training is being given with a view toward improvement of the efficiency and records, and a still safer and more effective accomplishment of the depot's mission.

EFFICIENCY AWARDS PROGRAM

The awards program at the St. Louis Medical Depot is modeled on the one authorized by the Department of the Army. This program is designed to encourage both military and civilian members of the Department of the Army to present any suggestions they may have on ways to accomplish a savings, or improve a method of doing a job. As a reward to civilians they may receive a monetary reward in ratio to the savings effected or be meritoriously commended. Military personnel are not authorized to receive money for their suggestions.

The local suggestion program has been in operation since August 4, 1943. It has continued to be an active program, and in June 1949 received official recognition from the Surgeon General's office for the fine results obtained.

To date, 1,355 suggestions have been received, resulting in a total savings to the Government of $210,187.61, and payment of $7,301.29 in awards.

Several of the outstanding suggestions received are listed below:

1. Utilization of nonstandard teeth stock through use of a conversion table, which was devised by the suggester and distributed to all stations authorized to requisition teeth. Based on a saving of $46,210.75 on stocks of teeth on hand at the time of adoption, an award of $456 was paid. An award of $275 was paid locally, and an additional award of $181 was authorized by the Civilian Awards Board, Department of the Army.

2. Freeze plug to be attached to the reservoirs for the thermo water syringe on Ritter model E dental operating unit. The freeze plug collapses when the water in the tank freezes, thus permitting expansion without damage to the tank. The freeze plug was approved by the Armed Services Medical Matériel and Specifications Committee, and the item standardized. Based on an estimated annual savings of $6,727.50, an award of $194 was paid.

3. Use of Aeronautical Chart Service waste paper by the St. Louis Medical Depot for shredding purposes. Excess paper is obtainable from the Chart Service without reimbursement, whereas purchasing the paper through Quartermaster would be expensive. Based on an estimated annual saving of $5,291, an award of $155 was paid.

4. Modification of Sanborn Cardiographs to meet demands in the field for an instrument capable of using unipolar leads. Inasmuch as a monetary savings cannot be computed, a local award of $150 was paid under the provision of the regulations pertaining to a suggestion applicable to a major organizational element. Upon completion of modification of all sets in the field, an additional award will be computed.

5. Computation table for quantitative adjustment between Army and Air Force stocks, which eliminates individual calculating operations. An award of $50.40 was paid locally, and an additional award of $55 was authorized by the SGO Efficiency Awards Committee.

ST. LOUIS EXHIBIT 2

GENERAL SERVICES ADMINISTRATION,
PUBLIC BUILDINGS SERVICE,
Washington, D. C., August 4, 1952.

Mr. RAY WARD,
Staff Member, Inter-Governmental Relations Subcommittee,
House Committee on Government Operations,
House of Representatives, Washington, D. C.

DEAR MR. WARD: Herewith, pursuant to your recent telephone request, is—

(*a*) Lists, in duplicate, of rented office space or depot space in St. Louis, Mo., containing respective areas, and summation of total annual rental;

(*b*) An estimate of cost per square foot to convert Medical Depot in St. Louis to office space:

The best that we can do here is to state results on two large buildings that we have just recently converted, (1) the Rand-McNally Building in Chicago, from factory and warehouse space to office space, for a total of $2,044,000. The building contains 510,000 net square feet, giving a total cost per square foot of $4.01; (2) also we are just finishing conversion of the Loeser Building, Brooklyn, N. Y., from warehouse space to office space. The total area is 262,357 net square feet; total cost of alterations, $1,359,000; cost per net square foot, $5.18.

The foregoing estimates include all necessary toilets, heating, elevators, and ventilation, but no air conditioning.

(*c*) An estimate of the construction cost of single-story permanent-type warehouses: We have recently designed an estimate from design, drawing the following costs for this type of structure. The Federal Supply Service warehouse in Kansas City, floor at truck level, including heat, light, and other mechanical devices, $7.50 per square foot; Emergency Procurement Service type warehouse, floor at ground level, $4 to $4.50 per square foot.

Sincerely yours,

JOHN L. NAGLE,
Director, Real Property Acquisition and Utilization Division.

Leased space data in urban center St. Louis, Mo., as of July 31, 1952

Name and address of building	Lease No. GS-06B	Leased areas (square feet)			Annual rental				
		Office	Depot	Total	Office	Depot	Total	Rate per square foot	Average rate per square foot
Boatman's Bank Bldg., 314 North Broadway	1706	7,177			$20,218			$2.82	
	2003	20,110			46,253			2.30	
Building total		27,287		27,287	66,471		$66,471		$2.44
Boatmen's Bank Bldg., Annex, 420 Locust St	1713	82,779		82,779	190,392		190,392	2.30	
Central Terminal Bldg. 710 North 12th Blvd.[1]	1034	155,058			71,375			.46	
	1035	4,265			1,456			.34	
Building total		159,323		159,323	72,831		72,831		.46
Locust Bldg., 315 North 7th St	1606	7,169		7,169	14,338		14,338	2.00	
Railway Exchange Bldg., 611 Olive St	798	5,543			13,857			2.50	
	842	16,605			41,512			2.50	
Building total		22,148		22,148	55,369		55,369		2.50
Time Bldg., 1134 Locust St	362	9,598		9,598	19,080		19,080	1.99	
Yeckel Bldg., 3542 Gravois Blvd	859	2,500		2,500	5,000		5,000	2.00	

[1] Aeronautical chart office.

Leased space data in urban center St. Louis, Mo., as of July 31, 1952—Continued

Name and address of building	Lease No. GS-06B	Leased areas (square feet)			Annual rental				
		Office	Depot	Total	Office	Depot	Total	Rate per square foot	Average rate per square foot
Buder Bldg., 707 Market St	392	10,528			23,000			2.18	
	600	14,121			34,422			2.44	
Building total		24,649		24,649	57,422		57,422		2.33
3440 North Broadway	1097		28,443	28,443		$4,200	4,200	.15	
Chester C. Davis Bldg. (or Nugent Bldg.), 410 and 416 North Broadway	1036	64,366		64,366	160,915		160,915	2.50	
Arcade Bldg., 812 Olive St	761	7,274		7,274	17,550		17,550	2.41	
Bldg. A (St. Louis Arena) 5660 Oakland Ave	599		86,400	86,400		64,500	64,500	.75	
321 North 22d St. (or 2200-04 Locust St)	394	45,513		45,513	40,962		40,962	.90	
Bank of St. Louis Bldg. 901 Washington Ave	465	20,880		20,880	48,700		48,700	2.33	
1409 Washington Ave	821	42,705		42,705	42,000		42,000	.98	
Butler Bros. Bldg., 316 North 18th St	1195		347,414	347,414		300,000	300,000	.86	
St. Louis Terminal Warehouse 9 1230-1254 North 2d St	835		25,000	25,000		21,000	21,000	.84	
913-915 Pine St	1702	26,700		26,700	53,400		53,400	2.00	
Commerce Bldg., 418 Olive St	2001	28,910		28,910	64,800		64,800	2.24	
Gutman Bldg., 8003 Forsyth Blvd., Clayton, Mo	857	1,681		1,681	3,660		3,660	2.18	
Brown Bldg., 101 South Meramec, Clayton, Mo	490	6,150		6,150	20,730		20,730	3.37	
European Import Bldg., Bemiston St. between Forsyth and Maryland Sts., Clayton Mo	1751	2,417		2,417	8,400		8,400	3.48	
Brentwood Plaza Bldg., 25 North Brentwood, Clayton, Mo	1704	800		800	600		600	.75	
309-311 South Florissant Rd., Ferguson, Mo	577	1,300		1,300	3,420		3,420	2.63	
Lockwood Bldg., 122a West Lockwood Ave., Webster Groves, Mo	823	578		578	900		900	1.56	
2620A Woodson Rd., Overland, Mo	1712	960		960	3,000		3,000	3.13	
Total		585,687	487,257	1,072,944	949,940	389,700	1,339,640		1.25

RECAPITULATION

Total leased	Areas (square feet)	Total rental	Average rate per square foot
Office (22 buildings)	585,687	$949,940	$1.62
Depot (4 buildings)	487,257	389,700	.80
Total (26 buildings)	1,072,944	1,339,640	1.25

FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT—PART II

(Section 2)

(Meeting held with representatives of the Marking Device Association in connection with military operations in the marking device field)

WEDNESDAY, AUGUST 20, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
St. Louis, Mo.

The subcommittee convened at 4 p. m., Park Plaza Hotel, St. Louis, Mo., Hon. Herbert C. Bonner, chairman, presiding.

Present: Representatives Herbert C. Bonner, (Mrs.) Cecil M. Harden, Charles B. Brownson, Thomas B. Curtis, and Melvin Price from the Committee on Armed Services.

Staff members present: Thomas A. Kennedy, general counsel; Ray Ward, staff director; and Herbert Roback, staff director, Reorganization Subcommittee.

Also present: Elmer F. Way, secretary-general manager, Marking Device Association, 134 North LaSalle Street, Chicago, Ill., and John E. Schweizer, 231 Russell Avenue, St. Louis, Mo.

Mr. BONNER. The subcommittee will come to order.

Gentlemen, we are here to hear you in connection with the operations of the military in the marking device field. I believe Mr. Way will speak for the association.

STATEMENT OF ELMER F. WAY, SECRETARY-GENERAL MANAGER, MARKING DEVICE ASSOCIATION, CHICAGO, ILL.

Mr. WAY. I will take about 15 minutes to brief you on the industry and Mr. Schweizer will give you specific examples where the Government has entered this field.

Mr. BONNER. You represent the Marking Device Association?

Mr. WAY. Yes, sir; I am the general manager and secretary of the Marking Device Association.

Mr. BONNER. Where are your headquarters?

Mr. WAY. In Chicago, Ill., 134 LaSalle Street.

We are a proud industry and I am happy to have the opportunity to go over our situation with you today. We are actually not 1 in-

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[1] Name changed to Committee on Government Operations, July 4, 1952.

dustry, we are 14. Just to give you an example, a stamp manufacturer making rubber stamps, for instance, has almost nothing in common with the people making steel stamps, except that the unanimity of our products. We hold our units together, because we want to provide a thorough marking service. If you walked into our place and you wanted to mark an ash tray, and if we provided the service which we claim we do, we would be able to tell you the best method to mark that item. Therefore, we are marking experts.

I want to read a little from one of these brochures and I want you to have one of these for your record.

It is difficult to define that group of implements which are known as marking devices in such a way as to differentiate them from the writing pen, the pencil, and the signmaker's paint brush. The latter class, however, consists of implements with which an infinite variety of marks may be made without change in the implement, while a marking device, when once prepared for use, will produce only duplicates of a single mark, although many types may be adjusted at will to vary the mark within limits.

The same difficulty arises in defining them away from tools or machines such as the printing press or the duplicating machine, which also produce marks or impressions. One difference is that such machines ordinarily imprint original markings in large numbers of identical copies in one run, while marking devices are largely used to imprint secondary markings superposed on smaller quantities of articles otherwise previously completed, and are not used continuously for an extended period.

Although our industry has a number of standardized commodity products, we are largely a made-to-order business, and such prices as we can establish are average prices, because, as you can appreciate, every individual stamp—every rubber stamp—is an individual made-to-order item. We are, therefore, an industry of artists and an industry of specialized skills.

Marking is as old as recorded history. We have evidence of a cave man in France producing stencils with his hand by blowing powdered ocher through a straw around his outstretched fingers. We find such evidence all through recorded history. For example, King Tut had hub caps on the wheels of his chariot which bore the royal crest and that was put there by a marking implement. We would call it a steel die today. The English silversmiths worked on what they called a basis of fineness, which developed eventually into sterling, with which they marked all of their products, and it was a very serious thing to violate that mark.

However, as a marking industry, we probably date from the introduction of rubber stamps, which was shortly after the Civil War when vulcanized rubber came into general being and we produced then a rubber stamp. At that time it was produced by itinerant peddlers, and they began taking on other lines and they put down roots and pretty soon we had a marking-device establishment. As I said before, the thing that holds us together and stamps us as an industry is this unanimity of end products. We are now an industry of marking experts. We are not rubber-stamp houses any more and this change is significant. That is why I am bearing down on it.

We are not a large industry, and this isn't good politics, but I differ with the Department of Commerce. I have one of their surveys and in 1947 they list us as having 426 establishments and 4,684 employees, and a total value of product shipped of $28,058,000. Those figures show we are not jobbers or merchandisers. Largely, we are an in-

dustry of craftsmen and I differ with the Department of Commerce in their interpretation of our industry. I mention these figures because it shows the fact that we have a diversified location of units. In other words, these units are strategically located throughout the United States. I mention that because I want to tell you that we have the capacity and we have properly located units to take care of all Government requirements in our field. We have demonstrated this in two world wars and are doing it right now in this present emergency. We are classified by the National Production Authority as an essential industry and we carry the highest priority in that group, as we did during both wars. We are under the equipment division, incidentally.

Now, we have documented evidence of the importance of the marking industry to the Armed Forces. We have gathered it through the past wars, and if you wish, we can produce that. I think that will be confirmed by any supply officer who had anything to do with supplies and equipment during the activities of the last two wars. We have evidence of the chaos which resulted from the lack of proper marking or any marking at all. We have a letter from General Kessler which cites an instance of a fellow ordering parts for officers' .45 pistols and getting a case of typewriters because of improper marking.

I can further tell you that as far as industry is concerned, that modern production lines would be impossible without identifying marking at every step of the manufacture. The thing that feeds modern production lines is the interchangeability of parts which relies entirely upon proper identifying markings. Not only do we have adequate capacity, but we have the skill and know-how and it takes a considerable volume of business to keep all of these skills occupied.

We know the difficulty of training skilled mechanics. We cannot advertise in the paper, for instance, for a lathe operator. We have to have a special type of operator. For instance, a stencil cutter has to be not only a mechanic, he has to be an artist, he has to be a lay-out man. Perhaps a girl could operate a pantograph machine once it is set up, but it takes a special type of operator in our industry. We have developed those skills and they are available for Government use when they are called upon and our contention is that it is sheer waste to try to duplicate this tremendous investment which we have in plants and men. We have seen case after case of Government-operated facilities running at a small fraction of capacity with resultant inefficiency.

The Government facilities are required to stand on their own feet without business from other sources and operating on an insufficient quantity, whereas we have units strategically located who have enough of the other capacity to take up that slack, and we can, therefore, do it on an efficient basis. The diversified requirements for equipment and tools in our industry is so great that there would be no end to the investment required by Government units if they should attempt to duplicate that sort of thing, and to back that up, I refer you to that brochure, which I think probably should be a part of the record. It is called, The Story of Marking for Every Requirement Throughout the World.

Now, this tendency—I am sure I do not have to sell you on this—this tendency of Government competition with private industry is not a natural thing; it is disrupting our economy and the only possible

justification could be lack of proper thinking or lack of efficiency. We have had a chance to get at the figures and we have never had any difficulty in disproving any of these questions. Our contention is that there is no need for Government-operated facilities to compete with facilities already in existence, because we have the equipment, we have the capacity, we have the skills and know-how, we have the experience, and we have the locations to provide proper service. As a matter of fact, we have run into a number of instances where individuals have come to our local units and purchased items needed by their own group, because they got so much better service from our people. We can produce cheaper, we can provide service, and as I said before, taking business from any industry is uneconomical, it is unnatural, and we pay taxes.

Mr. BONNER. As I understand it, you have heretofore been making these rubber stamps for the armed services?

Mr. WAY. Yes, sir.

Mr. BONNER. And the armed services now have set up their own facilities for making them; is that right?

Mr. WAY. Let us put it this way. There is a tendency that way, sir. A good many of them do not. The tendency is that way, and every once in a while we are getting invitations to bid or one of our members will be asked something about setting up facilities for the military. I think the way to stop this is to have a policy that it shall not be done except in cases where we have some secrecy or where we have some developmental work. We have no quarrel with that, but where there are existing facilities in private industry and we can meet all of your requirements, we see no need of investing the taxpayers' money in an operation which we claim is more inefficient than ours and we can provide you everything you would get with the Government facilities.

Mr. BONNER. I am just trying to establish this so we can show by our record what your complaint is. Your complaint is that the armed services are going into an industrial field?

Mr. WAY. Yes, sir.

Mr. BONNER. That can be operated by private industry at a cheaper cost?

Mr. WAY. Yes, sir; and with better service.

Mr. BONNER. Is your industry organized and are there people available at various locations, cities and towns, to make these stamps?

Mr. WAY. Yes, sir.

Mr. BONNER. And they belong to—let me ask this gentleman—are you located here in St. Louis?

STATEMENT OF JOHN E. SCHWEIZER, MARKING DEVICE ASSOCIATION, ST. LOUIS, MO.

Mr. SCHWEIZER. Yes, sir; I am in St. Louis.

Mr. BONNER. And you make rubber stamps?

Mr. SCHWEIZER. I made that right there [indicating].

Mr. BONNER. And you represent the industry [indicating Mr. Way]?

Mr. WAY. The association, yes, sir.

Mr. BONNER. You represent the Association of Rubber Stamp Makers?

Mr. WAY. Yes, sir; that's right.

Mr. BONNER. Who makes the machines that prepare them?

Mr. WAY. I represent the marking device association which includes all of these associations.

Mr. BONNER. Who makes the machines?

Mr. SCHWEIZER. There are several plants in the United States. Some are made in Akron and we make those machines ourselves.

Mr. BONNER. That machine makes the stamps which are ordered?

Mr. SCHWEIZER. That's right. We make the machine to make that [indicating rubber stamp plate].

Mr. BONNER. You make your own machines?

Mr. SCHWEIZER. Yes, sir; and we sell them throughout the United States.

Mr. BONNER. To what extent has the Government gone into this field?

Mr. WAY. We have some documented cases here.

Mr. SCHWEIZER. Here is one right here. Here are a lot of exhibits.

Mr. BONNER. Just answer the question: To what extent has the Government gone into this field?

Mr. SCHWEIZER. I would say considerably, particularly on the part of the Ordnance Department.

Mr. BONNER. The Ordnance Department?

Mr. SCHWEIZER. That's right. That seems to be the gravest entry into our field at the present time.

Mr. BONNER. Ordnance is making their own rubber stamps?

Mr. WAY. Yes, sir; particularly shell-loading plants.

Mr. BONNER. To mark the shells they produce?

Mr. WAY. That's right.

Mr. BONNER. What is the amount in dollars and cents of the rubber stamps that they make?

Mr. SCHWEIZER. You mean Ordnance? I couldn't say. We have one down here at Huntsville, Ala., Redstone Arsenal, that we shipped an invoice to not too long ago for about 2,500.

Mr. BONNER. That is an armed services establishment?

Mr. SCHWEIZER. That's right.

Mr. BONNER. It is not a private individual?

Mr. SCHWEIZER. No, no.

Mr. BONNER. It is not a private individual manufacturing for the Government?

Mr. SCHWEIZER. They are contractors operating these things. For instance, here is Procter & Gamble now operating one down at Milan, Tenn.

Mr. BONNER. They buy the rubber from you?

Mr. SCHWEIZER. This came from B. F. Goodrich Rubber Co., who turned it over to me, as I am their local representative.

Mr. BONNER. Procter & Gamble is a private corporation.

Mr. SCHWEIZER. Yes, sir; they are a private corporation but operating under Ordnance.

Mr. BONNER. They have a contract to make shell cases?

Mr. SCHWEIZER. Yes, sir.

Mr. BONNER. To make shell cases for the Government?

Mr. SCHWEIZER. Yes, sir.

Mr. BONNER. You would not expect this subcommittee then to say that an individual corporation who had a contract to make shell cases

could not, if they desired to make their own rubber stamps, could not do it, would you?

Mr. SCHWEIZER. No, sir, we are not complaining about private industry.

Mr. WAY. Procter & Gamble operates a Government facility.

Mr. BONNER. The armed services, as I understand, lets contracts to individuals to make shell cases and the shell cases are loaded under contract and your complaint is, though, that the Ordnance Depot at Ogden, Utah, and other areas are making these stamps. That is your major question?

Mr. SCHWEIZER. That's right, and Fort Sill, Okla., has also entered into it. There is one at Dayton, Ohio, that is interested in it and here is one at New York.

Mr. BROWNSON. What are the names of these installations?

Mr. SCHWEIZER. This is the Quartermaster Office, Fort Sill, Okla. [indicating from file].

Br. BROWNSON. What are they inquiring about?

Mr. SCHWEIZER. About the material to make that with [indicating rubber stamp].

Mr. BROWNSON. To make rubber branding stamps?

Mr. SCHWEIZER. Yes, sir. Here is one from Headquarters, Eight hundred sixty-second United States Air Force Specialized Depot, Dayton, Ohio. They are interested in the equipment for making stamps. Here is one from Romulus, N. Y., and the Seneca Ordnance Depot, they are interested in the equipment for making them. We service this Romulus, N. Y., station and they have never had any occasion to quibble about the service. They would call us up and give us the order and we will get it out.

Mr. BONNER. Why do they write you?

Mr. SCHWEIZER. Because we do business with them.

Mr. BONNER. You have been making stamps for them?

Mr. SCHWEIZER. Yes, sir; and now they are inquiring where they can buy this equipment.

Mr. WAY. It has been characteristic when these ordnance installations within the Ordnance Department decide to make rubber stamps, they go to the fellow from whom they have been buying them and ask him to show them how to make them.

Mr. SCHWEIZER. We have received five different invitations for bids for equipment to make rubber stamps.

Mr. BONNER. Do you make the machines to mold this stamp?

Mr. SCHWEIZER. Yes, sir; we make them.

Mr. BONNER. What does it cost?

Mr. SCHWEIZER. It all depends upon the size.

Mr. BONNER. Well, a machine to make a stamp like the one you have there?

Mr. SCHWEIZER. Those large plates run about $3,000. Here [indicating] is the smaller one and you can make that one, which is not very economical, but we have to make more than one at the time—that runs around $1,800.

Mr. BONNER. The machine to make this costs about $1,800?

Mr. SCHWEIZER. Yes, sir; to make that. We produce those at our own plant.

Mr. BONNER. One machine just makes one individual stamp?

Mr. SCHWEIZER. That's right. It depends on how you mold it. You can set those up in type form and then you have your platen sizes, which govern the number you can make. When you lock it up, it depends on the size of the unit as to how many you can make at one time. If it is a small stamp, you can make more, but that size, only about two.

Mr. BONNER. How many of these would they buy in an order of this particular shell-case stamp?

Mr. SCHWEIZER. They buy those in lots of 50 or 100.

Mr. BONNER. And you stamp that pattern on here?

Mr. SCHWEIZER. That is right.

Mr. BONNER. What is the cost of them?

Mr. SCHWEIZER. Well, I do not have the price with me, but that would cost them about $2.50 or $3 each.

Mr. BONNER. Buying them from you?

Mr. SCHWEIZER. Yes, sir; buying from me in quantities like that, we would cut them down to say $2.25 each.

Mr. BONNER. You would sell 50 of them for the price of $2.25 each?

Mr. SCHWEIZER. Something like that; yes. I do not have the exact figure.

Mr. BONNER. And the machine you make it with costs how much?

Mr. SCHWEIZER. About $1,800 or $2,000.

Mr. BONNER. But you make them in other sizes?

Mr. SCHWEIZER. Oh, yes.

Mr. BONNER. That machine is not confined to this size?

Mr. SCHWEIZER. It depends upon the size unit you are making. The machine can take a unit up to 14 by 16, and some of these units which we have for packing cases, run 24 to 36 inches long.

Mr. BONNER. We are going to Ogden, Utah, and when we get there, time permitting, we will make inquiry about this and ascertain why they have gone into the field of producing an article that we have been advised can be purchased cheaper than they can produce it.

Mr. SCHWEIZER. I believe they can.

Mr. BONNER. Not believe; do you know it?

Mr. SCHWEIZER. That is right; I know they can. Here is a letter that will show you just exactly what they are doing down at Kelley Field.

Mr. BONNER. We are going to Ogden—you mentioned Ogden—and let us confine it to that for a minute. We may be able to talk to those people at Ogden who are going into this business.

Mr. CURTIS. Did you make a record of this man's name out at Ogden?

Mr. SCHWEIZER. No, sir.

Mr. CURTIS. That should be put into the record.

Mr. SCHWEIZER. I will be glad to get it for you.

(The information referred to follows:)

SALT LAKE STAMP CO.,
Salt Lake City, Utah, August 27, 1952.

BONNER COMMITTEE.
Ben Lomon Hotel, Ogden, Utah.
(Attention of Herbert Bonner.)

GENTLEMEN: In accordance with our telephone conversation this date, I am sending you a few facts that will perhaps be helpful in your investigation.

We are selling rubber stamps to the Utah General Depot and other Army installations in this area for 27 cents for the first line and 12 cents for each additional line for stamps up to and including 4 inches in length.

I am also enclosing a retail price list for comparison with these prices. This retail price list enclosed is one of the lowest in the country. Most competitive retail price lists start at 70 cents for the first price of a 1-inch one-line stamp and increase rateably above that. Therefore, I think you can see that where you have to set the type, take a mold, vulcanize the rubber into the mold, cut and trim properly, make a mount with a label on it, and adhere the die to the mount, that the prices we are charging are so low that it is very unlikely that the Government manufacture in the installations could even approach such a low cost.

If there is further information that we can furnish you, we would be very happy to do so. Thank you.

Yours truly,

SALT LAKE STAMP CO.,
E. Q. CANNON, Jr.

Mr. BONNER. As a manufacturer, did you supply Ogden?

Mr. SCHWEIZER. No, sir; I have never supplied Ogden. You see, I do not cover every area in the United States. We get around pretty well, but there are some of them that we do not get.

Mr. BONNER. Who do you supply?

Mr. SCHWEIZER. For instance, the Government agencies; we supply Redstone Arsenal; Kansas Ordnance; one up here at Burlington, Ohio; one down at Pine Bluff, Ark.; Louisiana Ordnance down at Shreveport. All of those are Government.

Mr. BONNER. Are they private contractors or Government?

Mr. SCHWEIZER. Some of them are and some are not. Louisiana Ordnance is. It is run by Remington-Rand. Silas-Mason is up at Burlington——

Mr. BONNER (interposing). I understand something about it now. We will take the matter up with the Chief of Ordnance to see what the answer is.

Mr. BROWNSON. Just one comment. I will not be with you when you get to Ogden, but the crux of this whole situation is the amount of time that this machine they have at Ogden will be kept busy?

Mr. SCHWEIZER. Yes, sir.

Mr. BROWNSON. They would be putting in a piece of equipment and training a man to produce an occasional stamp?

Mr. SCHWEIZER. Yes, sir.

Mr. BONNER. If possible, we will inquire of them and also the Chief of Ordnance.

Mr. SCHWEIZER. This is, more or less, an emergency that they have, and after the emergency is over they dispose of it at about 10 percent of the dollar that the taxpayers have paid for them, and in the meantime they have deprived our industry of the opportunity to service the equipment.

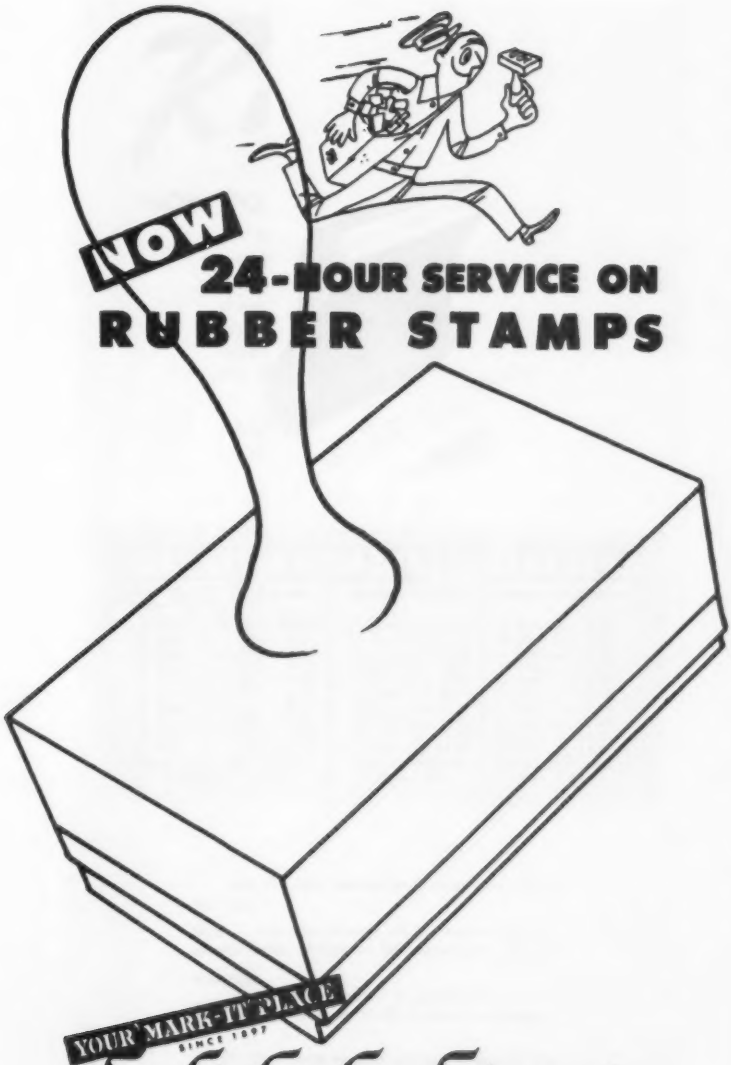
Mr. BONNER. That would be considered in the over-all on the question of going into this field.

Mr. SCHWEIZER. Yes, sir.

Mr. WAY. If the people who make the decisions look that far ahead. I think we should differentiate between a private contractor and others. A private contractor means someone to whom you have given a contract to manufacture in his own plant. Now, we have a situation here like Remington-Rand, who are operating a Government facility merely as an operating contractor, and I think, maybe, when you get into that situation perhaps they are subject to this some sort of thing.

Mr. BONNER. We will look into it.

Mr. PRICE. How quickly can you fill an order from any military installation?



Salt Lake Stamp
COMPANY
43 WEST THIRD SO. — SALT LAKE CITY, UTAH

Rubber Stamps

HOW TO ORDER

When ordering rubber stamps there are two methods which are usually used to determine the length of stamps. First count the letters and spaces in the longest line of copy, then count an equal number of letters and spaces in the style desired, thus determining the length of stamp. A second method is to give the area of stamp required, giving the style of type desired (such as Q series type).

Wherever possible it is best to give the purposes for which the stamp is to be used, such as address stamp, return on envelope, etc.

HANDLE TYPE

MOULDING TYPE

Stamp 1-in. long.	Stamp 2-in. long.	Stamp 3-in. long.	Stamp 4-in. long.	Stamp 5-in. long.	Stamp 6-in Long	Stamp 7-in. Long	Stamp 8-in. Long	Stamp 9-in. Long	Stamp 10-in. Long
1 line.....$ .80	1 line.....$ .60	1 line.....$ .70	1 line.....$ .80	1 line.....$ .90	1 line.....$1.00	1 line.....$1.10	1 line.....$1.20	1 line.....$1.30	1 line..... 1.40
2 line..... .75	2 line..... .95	2 line..... 1.15	2 line..... 1.35	2 line..... 1.55	2 line..... 1.75	2 line..... 1.95	2 line..... 2.15	2 line..... 2.35	2 line..... 2.55
3 line..... 1.00	3 line..... 1.30	3 line..... 1.60	3 line..... 1.90	3 line..... 2.20	3 line..... 2.50	3 line..... 2.80	3 line..... 3.10	3 line..... 3.40	3 line..... 3.70
4 line..... 1.25	4 line..... 1.65	4 line..... 2.05	4 line..... 2.45	4 line..... 2.85	4 line..... 3.25	4 line..... 3.65	4 line..... 4.05	4 line..... 4.45	4 line..... 4.85
5 line..... 1.50	5 line..... 2.00	5 line..... 2.50	5 line..... 3.00	5 line..... 3.50	5 line..... 4.00	5 line..... 4.50	5 line..... 5.00	5 line..... 5.50	5 line..... 6.00
6 line..... 1.75	6 line..... 2.35	6 line..... 2.95	6 line..... 3.55	6 line..... 4.15	6 line..... 4.75	6 line..... 5.35	6 line..... 5.95	6 line..... 6.55	6 line..... 7.15
7 line..... 2.00	7 line..... 2.70	7 line..... 3.40	7 line..... 4.10	7 line..... 4.80	7 line..... 5.50	7 line..... 6.20	7 line..... 6.90	7 line..... 7.60	7 line..... 8.30
8 line..... 2.25	8 line..... 3.05	8 line..... 3.85	8 line..... 4.65	8 line..... 5.45	8 line..... 6.25	8 line..... 7.05	8 line..... 7.85	8 line..... 8.65	8 line..... 9.45
9 line..... 2.50	9 line..... 3.40	9 line..... 4.30	9 line..... 5.20	9 line..... 6.10	9 line..... 7.00	9 line..... 7.90	9 line..... 8.80	9 line..... 9.70	9 line.....10.60
10 line..... 2.75	10 line..... 3.75	10 line..... 4.75	10 line..... 5.75	10 line..... 6.75	10 line..... 7.75	10 line..... 8.75	10 line..... 9.75	10 line.....10.75	10 line.....11.75
Each additional line, 25c	Each additional line, 35c	Each additional line, 45c	Each additional line, 55c	Each additional line, 65c	Each additional line, 75c	Each additional line, 85c	Each additional line, 95c	Each additional line, 1.05	Each additional line, 1.15

EXTRAS

The prices for stamps having any of the following extras should be figured by using the basic scale in addition to the below schedule:

SIZE — All lines over one-quarter inch high are charged at the rate of one line for each quarter of an inch or fraction thereof.

BORDERS — All single borders on stamps will be charged the same as two lines.

CURVED LINES — Curved lines are charged the same as two straight lines, with the border, if any, extra.

SLOTS, MORTICES, OR GROVES — For stamps mortised for solid rubber dates or type, add seventy-five cents for the first such operation, and fifty cents for each additional.

PATCHES — Rubber stamps may be changed by patching new lines or words onto old stamps. One extra line is charged to the regular list for patching. Thus a one line patch counts as two lines on the basic price scale, and a two line patch counts as three, etc.

CUTS — Where cuts are used in the making of rubber stamps, charge each upright quarter inch as a line of corresponding length. The price of the cuts themselves is over and above this and prices will be quoted on request.

RULE WORK — When rule work is used in rubber stamps, charge all horizontal lines at the regular stamp rate. Where vertical lines are used, charge at additional line rate on the length of lines.

STAMPS SET TO SPECIAL MEASURE — When the type has to be set to special measure to fit certain positions between vertical or on horizontal lines, or to fit in box headings, a fifty percent additional charge is made.

SPECIAL SERVICE — Where stamps are needed quicker than regular service, a special run may be made at a five dollar minimum charge, plus the cost of the stamp itself.

SPECIAL LABEL — Where labels differ from regular stamp wording, a charge of fifty cents extra will be made.

SPECIAL HANDLES — Flexible handles seventy-five cents extra. Rocker handle mounts, two dollars and up.

IN A HURRY FOR YOUR STAMPS?

Choose one of these type faces for speedy delivery.

Q–2 SALT LAKE STAMP C

Q–3 Salt Lake Stamp Compan

Q–4 *SALT LAKE STAMP C*

Q–5 *Salt Lake Stamp Compan*

Q–6 SALT LAKE STAMP COMPANY, MANUFACTU

Q–7 Salt Lake Stamp Company, Manufacturers of

Q–8 SALT LAKE STAMP COMPANY, MA

Q–9 Salt Lake Stamp Company, Manufa

Q–10 SALT LAKE STAMP COMP

Q–11 Salt Lake Stamp Company,

Q–12 SALT LAKE STAMP COM

Q–13 Salt Lake Stamp Company,

Q–18 SALT LAKE STAMP COM

Q–19 Salt Lake Stamp Compan

Q–24 SALT LAKE STAMP

Q–25 Salt Lake Stamp Co

Q–36 SALT LAKE S

Q–37 Salt Lake St

J–6 SALT LAKE STAMP COMPANY, MANUFACT

J–7 Salt Lake Stamp Company, Manufacturers

J–8 SALT LAKE STAMP COMPANY, M

J–9 Salt Lake Stamp Company, Manufa

J–10 SALT LAKE STAMP COMP

J–11 Salt Lake Stamp Company,

J–12 SALT LAKE STAMP CO

J–13 Salt Lake Stamp Company

J–18 SALT LAKE STAMP COM

J–19 Sat Lake Stamp Compan

J–24 SALT LAKE STAMP

J–25 Salt Lake Stamp Co

J–1126 SALT LAKE STAMP COMPAN

J–1127 Salt Lake Stamp Compan

Q–1126 SALT LAKE STAMP COMPAN

Q–1127 Salt Lake Stamp Compan

Mr. SCHWEIZER. Well, I will cite you an incident I had the other day from Silas-Mason. They called me up and ordered 500 units of a certain item and wanted us to ship them 50 the next day, and I shipped them the next day. We operate 16 machines of various sizes and we are in a position to give them service, whereas a man with one unit would not be.

Mr. BONNER. The headquarters of this association is in Chicago?

Mr. WAY. Yes, sir.

Mr. BONNER. I can assure you that the chairman of the Government Operations Committee, Mr. Dawson, who is the Member of Congress from Chicago from the district where your association has its office, will be tremendously interested in this matter, and I shall call it to his attention.

Mr. WAY. I thank you, sir.

Mr. BONNER. In addition to further taking the matter up out at Ogden and with the Chief of Ordnance.

Mr. WAY. I gave the Secretary my card; would you like one?

Mr. BONNER. It will be in the record.

Any questions from any member of the staff?

Mr. WARD. I would like to ask a question. Have you, Mr. Way, ever written to the Chief of Ordnance in Washington, or to the Secretary of the Army, or to the Secretary of Defense, regarding this proposition and if so, what has been their answer?

Mr. SCHWEIZER. Yes, sir. I did not do it, but I have a letter that will give you that information. I am pretty sure I have it. It developed over at Scott Air Force Base.

Mr. WARD. Do they defend it on the basis of cost or service or emergency or secrecy? What is their argument?

Mr. SCHWEIZER. I hope I did not leave that in the office; I had it [referring to letter], but I do not believe I have it with me.

Mr. BONNER. If you will furnish us a copy of that letter, we will have it placed in the record.

Mr. WARD. What were the contents of the letter?

Mr. SCHWEIZER. It stated after the matter had been investigated that they found there was no intention upon Scott Air Force Base to go into this business, although we had an inquiry from them for the equipment.

Mr. WARD. The fact was, so far as you were concerned, they were in the business?

Mr. SCHWEIZER. Yes, sir; there was an inquiry which came in from the Scott Air Base for the equipment to make these things with.

Mr. BONNER. If you will furnish us with a copy of your letter to the Chief of Ordnance and his reply, so it can be placed in the record, it will be appreciated.

Mr. SCHWEIZER. I will be very glad to get that to you.

(The letters referred to follow:)

HEADQUARTERS,
EIGHT HUNDRED AND SIXTY-SECOND USAF SPECIALIZED DEPOT,
Dayton, Ohio, July 6, 1951.

SUPERIOR MARKING EQUIPMENT CO.,
3940 Ravenwood Avenue, Chicago, Ill.

GENTLEMEN: This activity is desirous of obtaining any available catalogs and price lists on your equipment for making rubber stamps.

Sincerely,

W. L. HORTON,
For ROBERT R. FISHER,
Major, USAF,
Acting Director, Maintenance.

SUPERIOR MARKING EQUIPMENT CO.,
July 11, 1951.

HEADQUARTERS, EIGHT HUNDRED AND SIXTY-SECOND USAF SPECIALIZED DEPOT,
Wilmington Pike, Dayton, Ohio.

GENTLEMEN: With reference to your letter of July 6, in which you ask about equipment for making rubber stamps, we consider it best to refer you to our association office. The only equipment made by us for the rubber-stamp-making industry is a device used in connection with a drill press for drilling the holes in wood mounts into which handles are subsequently inserted.

If, as, and when you do determine that it is practical for you to make your own rubber stamps, and after you have obtained (or at least ordered) the equipment, you will be needing materials such as stamp gum, wood mounts, handles, etc. At that time we hope you will give us the opportunity of submitting a quotation on these items and any others that may be required.

Very truly yours,

R. W. REDIN,
Vice President.

MARKING DEVICE ASSOCIATION,
Chicago, Ill., May 1, 1952.

Mr. JOHN SCHWEIZER,
Chas. K. Schweizer Co., 231 Russell Avenue,
St. Louis, Mo.

DEAR JOHN: Since writing you I have another complaint on Government competition. This comes from the Ogden Arsenal of the Ordnance Corps at Ogden, Utah, and it is a request for descriptive literature on stamp-making machines capable of making rubber stamps up to 1¾ inches in Gothic type.

The request is from Jay B. Rohmer, contracting officer, Ogden Arsenal, Ogden, Utah.

Cordially yours,

ELMER F. WAY,
Secretary and General Manager.

SENECA ORDNANCE DEPOT,
Romulus, N. Y., November 2, 1951.

CHARLES K. SCHWEIZER CO.,
223–229 Russell Avenue, St. Louis, Mo.

GENTLEMEN: This installation is interested in securing a catalog of rubber stamping equipment and services.

It is requested that this catalog be forwarded at your earliest convenience.

Very truly yours,

JOHN B. DEANE,
Lieutenant Colonel, Ordnance Corps, Assistant
(For the Commanding Officer).

JUNE 16, 1952.

Subject: Invitations to bid Nos. 54652, 54661, 54670, 54773, and 54782.

DIRECTOR OF PURCHASES,
United States Government Printing Office, Washington, D. C.

GENTLEMEN: We return herewith the above-listed invitations to bid as we are not in a position to handle these.

Thanking you, we remain,

Very truly yours,

CHAS. K. SCHWEIZER CO.,
By HARRY L. SCHWEIZER,
President.

WAR DEPARTMENT — Budget Bureau No. 49-R376.

REQUEST FOR PROPOSAL AND CONTRACTOR'S PROPOSAL

(SHORT FORM) df

FROM Quartermaster Office, Fort Sill, Oklahoma — To C. E. Stamp & Seal Co., 118 W. Grand, Oklahoma City, Oklahoma

REQUEST FOR PROPOSAL

Under authority of Public Law 703, 76th Congress, the First War Powers Act, 1941, and Executive Order No. 9001, you are requested to submit a proposal for the furnishing of the item(s) described below and on the reverse side hereof, upon the delivery schedule there shown, and in accordance with the terms and conditions appearing on both sides of this sheet and on continuation sheets numbered ..... attached hereto.

Date by which proposals to be received 23 April 1951 — Date of this request 16 April 1951

Number of copies of proposals to be submitted 2 — Number of this request QM 965

TERMS AND CONDITIONS

The Government's notice of acceptance of proposal will be given within 10 days after the date above specified by which proposals are to be received.

If your proposal is accepted, Contract Form 365 will be issued to you embodying the terms of your proposal and including all applicable provisions required by Federal law, Executive order, and War Department procurement regulations.

The award of the particular contract will normally be made to the low bidder but the War Department reserves the right to negotiate with any bidder or other producer and to reject any and all quotations received.

Offers of discounts for prompt payment or cash will be considered in determining which of the bids received is the lowest. For continuation of terms and conditions relating to taxes see reverse side.

TO BE FILLED IN BY CONTRACTING OFFICER

Delivery to be f. o. b. Fort Sill, Oklahoma

Ship to .....

ITEM No. (1)	DESCRIPTION OF ITEM (2)	QUANTITY (3)	UNIT (4)	SHIPMENT DESIRED: DATE (5)	SHIPMENT DESIRED: QUANTITY (6)	To Be Filled in by Contractor: PRICE: UNIT (7)	To Be Filled in by Contractor: PRICE: TOTAL (8)
1.	Multi-mold matrix material, 10 x 10" sheet	24	sheet	Immediate			
2.	Stamp Gum, R30, 55 lb roll or equal	110	lbs	"	"		

The contractor warrants that the prices herein are not in excess of applicable ceiling prices established by the ESA or other Authorized Govt. agencies and in effect upon the date hereof for the supplies or services to be furnished hereunder.

Provisions of the Buy-American Act are applicable.

Bidder to specify time required for guaranteed delivery to Ft. Sill after receipt of order _____ (days)

CONTRACTOR'S PROPOSAL

In response to the above request for proposal, and subject to the terms and conditions thereof, the undersigned offers and agrees to furnish any or all of the items on which the undersigned has quoted prices at the price set forth opposite each item. Contractor certifies that the prices quoted herein are not in excess of an applicable OPA price regulation.

A cash discount of ..... percent will be allowed for payment within ..... days.

Contractor proposes to manufacture items at .....

Contractor normally employs ..... wage earners. ( ) over 500 ( ) less than 500

Date of this proposal .....

Enclosures by Contracting Officer

Name of Contractor .....

By .....

(Title—authorized to make this proposal)

(See reverse side for additional information)

WD FORM 104

TO BE FILLED IN BY CONTRACTING OFFICER—Continued

Delivery to be f. o. b. .....

Ship to .....

To Be Filled in by Contractor

ITEM No. (1)	DESCRIPTION OF ITEM (2)	QUANTITY (3)	UNIT (4)	SHIPMENT DESIRED		PRICE	
				DATE (5)	QUANTITY (6)	UNIT (7)	TOTAL (8)

TAXES

(1) Unless otherwise stated by the contracting officer on either side of this page or on a continuation sheet, (a) the prices quoted will not include any State or local sales, use, or other tax from which an exemption is available for the purposes of this procurement, but (b) the prices quoted will include all applicable Federal taxes and other applicable State and local taxes.

(2) If the items called for by this procurement are taxable articles under chapter 29, Internal Revenue Code, exemption from chapter 29 taxes is available to you with respect to purchases of materials (except tires, tubes, and automobile radios) to be incorporated in such items, and credits or refunds may be obtained. Accordingly, chapter 29 taxes on such incorporated materials will not be included in the prices quoted herein and you should take necessary steps to protect your right to such exemption, credits, or refunds.

(3) Tax-exemption certificates, where applicable, will be issued for the amount of any tax excluded from the price, as to which an exemption is available. You will furnish all pertinent data in support of any application for such certificates.

U. S. GOVERNMENT PRINTING OFFICE 16—63173-1

[Teletype]

SCHWEIZER CO.
231 Russell Avenue, St. Louis, Mo.:

Reference specifications dated June 14 for moulding and vulcanizing press. Bids open 2 p. m., eastern daylight saving time, June 24. Delete existing paragraph 11 and substitute therefor the following: Contractors shall provide an erector who will be responsible for erecting and starting up the machine. The Government Printing Office will furnish all necessary labor to assist the erector and will furnish and install services in accordance with instructions and diagram furnished by the contractor furnishing materials, supplies, or services other than that pertaining to erection will be charged to the contractor at cost. If above changes bid already mailed, it may be corrected by letter in triplicate addressed to undersigned.

DANIEL H. CAMPBELL,
Director of Purchases, Government Printing Office,
Washington, D. C.

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ORDNANCE,
Washington, D. C., July 24, 1952.

PANNIER CORP.,
Pittsburgh, Pa.

GENTLEMEN: This depot is surveying the possibilities of installing a machine to make rubber printing plates. It has been ascertained that a machine of 12-to-14-inch by 16- to 18-inch capacity is desired.

An itemized price list, together with present delivery schedules, is solicited. It is requested that this pricing, which is for information only, contain every item, including type, chemicals, etc., to place such a unit in operation.

Very truly yours,

GEORGE O. STUMP,
Assistant Contracting Officer,
(For the commanding officer).

9C MA 7F

Contract DA-11-ITB-ORD-11

THE PROCTER & GAMBLE DEFENSE CORPORATION

MILAN ARSENAL
MILAN, TENNESSEE

/Bid

INQUIRY

Date Aug. 4, 1952

Inq. No. 7696

B. F. Goodrich Company
Decatur, Illinois

THIS IS NOT AN ORDER
Please refer to this number in your reply.
Your quotation must be in our hand by Date Aug. 18, 1952 to receive consideration.

Please quote your lowest price on the material listed below in Triplicate. We reserve the right to accept or reject all or any part of this bid. Please price each item separately. All bids must be subject to the General Conditions attached. All prices must be firm: F.O.B. MILAN, TENN. Please Return General Provisions with your Quotation.

ITEM NO.	QUANTITY	UNIT	DESCRIPTION	
1.	10	Rolls	Fifty pound rolls, 10% variation, Natural rubber 50-60, Color, Red, Blue, Gray, or Black, Thickness - .096 Width - 18 inches Unvulcanized printing plate gum.	
			Prices must be firm, so state on your bid.	
			Bid must be in triplicate.	

IMPORTANT: TO ASSURE CONSIDERATION OF YOUR BID, FURNISH ALL REQUESTED INFORMATION.

TERMS

DELIVERY DATE

SIGNED N. F. Lawrence

N. F. LAWRENCE, PURCHASING AGENT

General Provisions

(Purchase Orders and Subcontracts)

1. Definitions

As used throughout this purchase order or subcontract, the following terms shall have the meanings set forth below:

(*a*) The term "contracting officer" means the person who executed on behalf of the Government the prime contract under which this purchase order or subcontract is executed, and any other officer or civilian employee who is a properly designated contracting officer; and the term includes, except as otherwise provided, in this purchase order or subcontract, the authorized representative of a contracting officer acting within the limits of his authority.

(*b*) Except as otherwise provided, the term "subcontracts" includes purchase orders.

2. Changes

Make no changes in filling this subcontract as to quantities, descriptions, prices, f. o. b. points, etc., except upon direct authority from our Purchasing Department.

The buyer may at any time, by a written order, make changes, within the general scope of this subcontract, in any one or more of the following: (i) drawings, designs, or specifications, where the supplies to be furnished are to be specially manufactured for the buyer in accordance therewith; (ii) method of shipment or packing; and (iii) place of delivery. If any such change causes an increase or decrease in the cost of, or the time required for, performance of this subcontract, an equitable adjustment shall be made in the subcontract price or delivery schedule, or both, and the subcontract shall be modified in writing accordingly. Any claim by the seller for adjustment under this clause must be asserted within 30 days from the date of receipt by the seller of the notification of change: *Provided, however,* That the buyer, with the approval of the contracting officer, if it is decided that the facts justify such action, may receive and act upon any such claim asserted at any time prior to final payment under this subcontract. Failure to agree to any adjustment shall be a dispute concerning a question of fact within the meaning of the clause of this subcontract entitled "Disputes." However, nothing in this clause shall excuse the seller from proceeding with the subcontract as changed.

3. Extras

Except as otherwise provided in this subcontract, no payment for extras shall be made unless such extras and the price therefor have been authorized in writing by the buyer.

4. Variation in quantity

No variation in the quantity of any item called for by this subcontract will be accepted unless such variation has been caused by conditions of loading, shipping, or packing, or allowances in manufacturing processes, and then only to the extent, if any, specified elsewhere in this subcontract.

5. Inspection and title

Title to the materials and supplies purchased hereunder shall pass to the Government (delivery at the Milan Arsenal), provided, however, that all materials and supplies purchased are subject to inspection at destination within a reasonable time by the contracting officer, and the buyer reserves the right to reject any materials, or supplies which do not pass such inspection. In the event of rejection the seller shall be responsible for the removal of rejected property within a reasonable time.

6. Responsibility for supplies

Except as otherwise provided in this subcontract, (i) the seller shall be responsible for the supplies covered by this subcontract until they are delivered at the designated delivery point regardless of the point of inspection; and (ii) the seller shall bear all risks as to rejected supplies after notice of rejection.

7. Payments

The seller shall be paid, upon the submission of properly certified invoices, the prices stipulated herein for supplies delivered and accepted or services rendered and accepted, less deductions, if any, as herein provided. Unless otherwise specified, payment will be made on partial deliveries accepted by the contracting officer when the amount due on such deliveries so warrants; or, when requested by the seller, payment for accepted partial deliveries shall be made whenever such payment would equal or exceed either $1,000 or 50 percent of the total amount of this subcontract.

8. Assignment to Government

This subcontract does not bind, nor purport to bind, the United States Government or the contracting officer and, if in excess of $2,000, is assignable to the United States Government.

9. Federal, State, and local taxes

The seller shall itemize any taxes imposed by law, either Federal, local, or State, directly on the materials furnished.

10. Default

(*a*) The buyer may, subject to the provisions of paragraph (*b*) below, by written notice of default to the seller terminate the whole or any part of this subcontract in any one of the following circumstances:

(i) If the seller fails to make delivery of the supplies or to perform the services within the time specified herein or any extension thereof; or

(ii) If the seller fails to perform any of the other provisions of this subcontract, or so fails to make progress as to endanger performance of this subcontract in accordance with its terms, and in either of these two circumstances does not cure such failure within a period of 10 days (or such longer period as the buyer may authorize in writing) after receipt of notice from the buyer specifying such failure.

(*b*) The seller shall not be liable for any excess costs if any failure to perform the subcontract arises out of causes beyond the control and without the fault or negligence of the seller.

(*c*) If this subcontract is terminated as provided in paragraph (*a*) of this clause, the buyer, in addition to any other rights provided in this clause, may require the seller to transfer title and deliver to the buyer, in the manner and to the extent directed by the buyer, (i) any completed supplies, and (ii) such partially completed supplies and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter called manufacturing materials) as the seller has specifically produced or specifically acquired for the performance of such part of this subcontract as has been terminated; and the seller shall upon direction of the buyer, protect and preserve property in possession of the seller in which the buyer has an interest. The buyer shall pay to the seller the contract price for completed supplies delivered to the buyer and accepted by the Government,

(Purchase Orders and Subcontracts)—Continued

and the amount agreed upon by the seller and the buyer for manufacturing materials delivered to the buyer and accepted by the Government and for the protection and preservation of property. Failure to agree shall be a dispute concerning a question of fact within the meaning of the clause of this subcontract entitled "Disputes."

11. Disputes

Except as otherwise provided in this subcontract, any dispute concerning a question of fact arising under this subcontract, which is not disposed of by agreement shall be decided by the contracting officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the seller. The decision of the contracting officer shall be final and conclusive. Pending final decision of a dispute hereunder, the seller shall proceed diligently with the performance of the contract.

12. Patent rights

The patent rights clause set forth in ASPR 9–107.1 or one granting similar rights, need be inserted only in all subcontracts of $3,000 or more in which payment is to be made for experimental, developmental, or research work.

13. Buy American Act

The seller agrees that there will be delivered under this subcontract only such unmanufactured articles, materials, and supplies (which term "articles, materials, and supplies" is hereinafter referred to in this clause as "supplies") as have been mined or produced in the United States, and only such manufactured supplies as have been manufactured in the United States substantially all from supplies mined, produced, or manufactured, as the case may be, in the United States. Pursuant to the Buy American Act (41 U. S. Code 10a–c), the foregoing provision shall not apply (i) with respect to supplies excepted by the Secretary from the application of that act, (ii) with respect to supplies for use outside the United States, (iii) with respect to the supplies to be delivered under this subcontract which are of a class or kind determined by the Secretary or his duly authorized representative not to be mined, produced, or manufactured, as the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality, or (iv) with respect to such supplies, from which the supplies to be delivered under this subcontract are manufactured, as are of a class or kind determined by the Secretary or his duly authorized representative not to be mined, produced, or manufactured, as the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality, provided that this exception (iv) shall not permit delivery of supplies manufactured outside the United States if such supplies are manufactured in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality.

14. Convict labor

In connection with the performance of work under this subcontract, the seller agrees not to employ any person undergoing sentence of imprisonment at hard labor.

15. Copyright

(*a*) The subcontractor agrees to and does hereby grant to the Government, and to its officers, agents, and employees acting within the scope of their official duties, (i) a royalty-free, nonexclusive and irrevocable license to reproduce, translate, publish, use, and dispose of and to authorize others so to do, all copyrightable material first produced or composed and delivered to the buyer under this subcontract by the subcontractor, its employees or any individual or concern specifically employed or assigned to originate and prepare such material; and (ii) a license as aforesaid under any and all copyrighted or copyrightable work not first produced or composed by the subcontractor in the performance of this subcontract but which is incorporated in the material furnished under the subcontract, provided that such license shall be only to the extent the subcontractor now has, or prior to completion or final settlement of the subcontract may acquire, the right to grant such license without becoming liable to pay compensation to others solely because of such grant.

(*b*) The subcontractor agrees that it will exert all reasonable effort to advise the buyer, at the time of delivering any copyrightable or copyrighted work furnished under this subcontract, of any adversely held copyrighted or copyrightable material incorporated in any such work and of any invasion of the right of privacy therein contained.

(*c*) The subcontractor agrees to report to the buyer, promptly and in reasonable written detail, any notice or claim of copyright infringement received by the subcontractor with respect to any material delivered under this subcontract.

16. Inspection of plants and audit of books of subcontractors

The contracting officer shall at all times be afforded proper facilities for inspection of the work and shall at all times have access to the premises, work, and materials, to all books, records, correspondence, instructions, plans, drawings, receipts, vouchers, and memoranda.

17. Safety

The subcontractor agrees to be bound by the provisions of article IV–F of the prime contract with the Government insofar as they are applicable to this contract. The prime contractor will reimburse the subcontractor for the cost of such special devices, equipment, and personnel as have been or hereafter may be added by the subcontractor, pursuant to section 3 of article IV–F, for which reimbursement has not been made by the Government direct to the subcontractor.

18. Nondiscrimination in employment

In connection with the performance of work under this subcontract, the subcontractor agrees not to discriminate against any employee or applicant for employment because of race, creed, color, or national origin; and further agrees to insert the foregoing provision in all subcontracts hereunder except subcontracts for standard commercial supplies or for raw materials.

The foregoing shall not apply to any purchase order items or parts thereof which are for standard commercial supplies or raw materials.

19. Officials not to benefit

No Member of or Delegate to Congress, or Resident Commissioner, shall be admitted to any share or part of this subcontract, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this subcontract if made with a corporation for its general benefit.

20. Covenant against contingent fees

The subcontractor warrants that no person or selling agency has been employed or retained to solicit or secure this subcontract upon an agreement or understanding for a commission, percentage, brokerage, or con-

(Purchase Orders and Subcontracts)—Continued

ringent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the subcontractor for the purpose of securing business. For breach or violation of this warranty the Government or the buyer shall have the right to annul this subcontract without liability or in its discretion to deduct from the subcontract price or consideration the full amount of such commission, percentage, brokerage, or contingent fee.

22. Military security requirements

(*a*) The provisions of the following paragraphs to this clause shall apply only if and to the extent that this subcontract involves access to classified matter, which as used in this clause shall mean information or material classified "Top secret," "Secret," "Confidential," or "Restricted."

(*b*) The subcontractor (i) shall be responsible for safeguarding all classified matter and shall not supply or disclose classified matter to any unauthorized person, (ii) shall not make or permit to be made any reproductions of matter classified "Top secret" except with the prior written authorization of the contracting officer, (iii) shall not make or permit to be made any reproductions of matter classified "Secret," "Confidential," or "Restricted" except as may be essential to performance of the subcontract, (iv) shall submit to the contracting officer, at such times as the contracting officer may direct, an accounting of all reproductions of matter classified "Top secret," "Secret," or "Confidential," and (v) shall not incorporate in any other project any special features of design or construction which will disclose classified matter, except with the prior written authorization of the contracting officer.

(*c*) Except with the prior written consent of the Secretary or his duly authorized representative, the subcontractor (i) shall not permit any alien to have access to classified matter, and (ii) shall not permit any individual to have access to matter classified "Top secret" or "Secret."

(*d*) The subcontractor agrees (i) to submit immediately to the contracting officer a complete confidential report of any information which the subcontractor may have concerning existing or threatened espionage, sabotage, or subversive activity, (ii) to submit to the contracting officer, upon written request, any and all information which the subcontractor may have concerning any of its employees engaged in any work at any plant, factory, or site at which work under this subcontract is being performed, and (iii) to exclude from its plant, factory, site, or part thereof, at which work under this subcontract is being performed, any person or persons whom the Secretary or his duly authorized representative, in the interest of security, may designate in writing.

(*e*) The subcontractor is authorized to rely on any letter or other written instrument signed by the contracting officer, changing or entirely removing the classification of this subcontract or of any classified matter.

(*f*) The obligations of the subcontractor under this clause shall be in addition to any obligations of the subcontractor to comply with all the terms and provisions of any applicable security or secrecy agreement heretofore or hereafter entered into between the subcontractor and the Government or the buyer.

(*g*) The subcontractor agrees to insert, in all subcontracts hereunder which involve access to classified matter, provisions which shall conform substantially to the language of this clause, including this paragraph (*g*); provided that such provisions need not be included in any subcontract as to which the contracting officer shall consent to the omission of such provisions.

23. Eight-hour law of 1912

This subcontract, to the extent that it is of a character specified in the 8-hour law of 1912 as amended (40 U. S. Code 324–326) and is not covered by the Walsh-Healey Public Contracts Act (41 U. S. Code 35–45), is subject to the following provisions and exceptions of said 8-hour law of 1912 as amended, and to all other provisions and exceptions of said law:

No laborer or mechanic doing any part of the work contemplated by this subcontract, in the employ of the subcontractor or any subcontractor contracting for any part of the said work, shall be required or permitted to work more than 8 hours in any one calendar day upon such work, except upon the condition that compensation is paid to such laborer or mechanic in accordance with the provisions of this clause. The wages of every such laborer and mechanic employed by the subcontractor or any subcontractor engaged in the performance of this subcontract shall be computed on a basic day rate of 8 hours per day; and work in excess of 8 hours per day is permitted only upon the condition that every such laborer and mechanic shall be compensated for all hours worked in excess of 8 hours per day at not less than 1½ times the basic rate of pay. For each violation of the requirements of this clause a penalty of $5 shall be imposed upon the subcontractor for each such laborer or mechanic for every calendar day in which such employee is required or permitted to labor more than 8 hours upon said work without receiving compensation computed in accordance with this clause; and all penalties thus imposed shall be withheld for the use and benefit of the Government.

The foregoing shall not apply to any purchase order items or parts thereof which are for standard or commercial supplies.

24. Walsh-Healey Public Contracts Act

If this subcontract is for the manufacture or furnishing of materials, supplies, articles, or equipment in an amount which exceeds or may exceed $10,000 and is otherwise subject to the Walsh-Healey Public Contracts Act as amended (41 U. S. Code 35–45), there are hereby incorporated by reference all representations and stipulations required by said act and regulations issued thereunder by the Secretary of Labor, such representations and stipulations being subject to all applicable rulings and interpretations of the Secretary of Labor which are now or may hereafter be in effect.

25. Fair Labor Standards Act

There are hereby incorporated by reference all representations and stipulations of the Fair Labor Standards Act of 1938, as amended, and regulations issued thereunder by the Secretary of Labor, such representations and stipulations being subject to all applicable rulings and interpretations of the Secretary of Labor which are now or may hereafter be in effect, and the subcontractor hereby agrees to comply therewith in the performance of the work under this subcontract.

26. Termination

(*a*) The buyer may terminate work under this order in whole or in part at any time by written or telegraphic notice, whenever (1) the Government requests the termination of this order or (2) a contract between the buyer and a third person, including the Government, requiring for its performance articles or services of the kind or type covered by this

(Purchase Orders and Subcontracts)—Continued

order is terminated, in whole or in part, or amended, so as to eliminate or reduce such requirements. Such notice shall state the extent and effective date of such termination; and, upon the receipt thereof, the seller will, as and to the extent directed by the buyer, stop work under this order and the placement of further orders or subcontracts hereunder, terminate work under orders and subcontracts outstanding hereunder, and take any necessary action to protect property in the sellers' possession in which the buyer has or may acquire an interest.

(*b*) If the parties cannot by negotiation agree within a reasonable time upon the amount of fair compensation to the seller for such termination, the buyer in addition to making prompt payment of amounts due for articles delivered or services rendered prior to the effective date of termination, will pay to the seller the following amounts without duplication:

(1) The contract price for all articles or services which have been completed in accordance with this order and not previously paid for.

(2) (i) The actual costs incurred by the seller which are properly allocable or apportionable under recognized commercial accounting practices to the terminated portion of this order, including the cost of discharging liabilities which are so allocable or apportionable, and (ii) a sum equal to 2 percent of the part of such costs representing the costs of articles or materials not processed by the seller, plus a sum equal to 8 percent of the remainder of such costs, but the aggregate of such sums shall not exceed 6 percent of the whole of such costs. For the purpose of subdivision (iii) such costs shall exclude any charge for interest on borrowings and shall exclude the cost of discharging liabilities for parts, materials, and services not received by the seller before the effective date of termination.

(3) The reasonable costs of the seller in making settlement hereunder and in protecting property in which the buyer has or may acquire an interest.

(*c*) With the consent of the buyer the seller may retain at an agreed price or sell at an approved price any completed articles, or any articles, materials, work in process or other things the cost of which is allocable or apportionable to this order under paragraph (*b*) (2) above, and will credit or pay the amounts so agreed or received as the buyer directs. As directed by the buyer, the seller will transfer title to, and make delivery of, any such articles, materials, work in process or other things not so retained or sold. Appropriate adjustment will be made for delivery costs or savings therein.

(*d*) The provisions of this article shall not limit or affect the right of the buyer to terminate this order for the default of the seller.

27. Price controls

"The contractor warrants that the prices herein are not in excess of applicable ceiling prices established by the ESA or other authorized Government agencies and in effect upon the date hereof for the supplies or services to be furnished hereunder."

(*b*) The above clause will be applicable to contracts covering all supplies and services not specifically exempted by the General Ceiling Price Regulation, January 26, 1951, and exemptions issued subsequent to January 26, 1951.

28. Renegotiations

(*a*) This contract is subject to the Renegotiation Act of 1951 (P. L. 9, 82d Congress) and shall be deemed to contain all the provisions required by section 104 of said act.

(*b*) The contractor (which term as used in this clause means the party contracting to furnish the materials or perform the work required by this contract) agrees to insert the provisions of this clause, including the paragraph (b), in all subcontracts as required by section 104 of the Renegotiation Act of 1951; *provided*, that the contractor shall not be required to insert the provisions of this clause.

29. Contract clause

The following shall apply to any and all purchase orders and subcontracts in excess of $1,000: Gratuities (A) The contractor may, by written notice to the subcontractor, terminate the right of the subcontractor to proceed under this subcontract if it is found, after notice and hearing, by the Secretary or his duly authorized representative, that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the subcontractor or any agent or representative of the subcontractor, to any officer or employee of the contractor with a view toward securing a subcontract or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performing of such subcontract: provided, that the existence of the facts upon which the Secretary or his duly authorized authorized representative makes such findings shall be in issue and may be reviewed in any competent court.

(B) In the event this subcontract is terminated as provided in paragraph (a) hereof, the contractor shall be entitled (1) to pursue the same remedies against the subcontractor as it could pursue in the event of a breach of the subcontract by the subcontractor, and (2) as a penalty in addition to any other damages of which it may be entitled by law, to exemplary damages in an amount (as determined by the Secretary or his duly authorized representative) which shall be not less than 3 nor more than 10 times the cost incurred by the subcontractor in providing any such gratuities to any such officer or employee.

(C) The rights and remedies of the contractor provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this subcontract.

30. Contract clause

The following shall apply to any and all purchase orders and subcontracts in excess of $1,000:

Examination of records.—The subcontractor agrees that the Comptroller General of the United States or any of his duly authorized representatives shall, until the expiration of 3 years after final payment under prime contract, DA–11–173–ORD–61, between the United States of America and the Procter & Gamble Defense Corp., have access to and the right to examine any directly pertinent books, documents, papers, and records of the subcontractor involving transactions related to this contract.

NOTE.—In any subcontract of a class or type described in section 106 (a) of the Renegotiation Act of 1951.

THE SOUTHWELL CO.,
San Antonio, Tex., August 18, 1952.

Mr. JOHN SCHWEIZER,
231 Russell, St. Louis 4, Mo.

DEAR JOHN: In accordance with your request over long-distance last week, I will give you all of the information I can relative to the manufacture of rubber stamps at Kelly Air Force Base.

As you probably know, this is a very large maintenance depot and it is my understanding that it is the Air Force policy in installations of this type to manufacture such items that they regularly use with the base personnel.

Several years ago, I was informed by the Purchasing and Contracting Office at Kelly Field that they had received instructions from Wright Field to begin the manufacture of their own rubber stamps. I was further informed that they knew nothing about the methods commonly employed and they asked my assistance in installing the proper equipment, etc. I gave them every bit of information that they requested and permitted the man that was to be in charge of their plant to spend several days in our factory to learn everything possible regarding the manufacture of rubber stamps.

Some time later, I learned that they had decided that our method was not in conformity with their idea of how it should be done and further learned that they had installed a number of panograph engraving machines and that they were making their molds by engraving in aluminum of an approximate thickness of one-quarter inch.

In my estimation, this is a very costly method of making molds for rubber stamps in comparison with the usual procedure employed by the stamp manufacturers.

About 2 years ago I was requested by a civilian employee at Kelly Field, whose name I do not recall, to make a summary of all orders for rubber stamps that they had completed over a period of approximately 9 months and give them their cost if we had produced the stamps ourselves.

This information was promptly compiled from their shop orders and, in due time, was given to them. It is my understanding that the information was desired because it was their feeling that their cost to manufacture was excessive. After giving them the cost figures requested, I have heard nothing further regarding the matter.

I have not had an opportunity to check into the matter of the methods employed at this base at the present time and it is possible that they may have changed their methods of manufacture to conform with that commonly employed by all commercial manufacturers of rubber stamps.

We quite frequently receive orders from various officers and civilian personnel at Kelly Field for rubber stamps, to be paid for by themselves personally and the usual reason for placing the orders with us is because of the time required to get rubber stamps through the regular channels.

I have attempted to give you the pertinent facts regarding this matter and in conclusion wish to state that it is my belief that they could purchase rubber stamps from a commercial manufacturer at a much lower cost than is now involved and get them much more promptly.

I hope that this information will be of some value to you in your appearance before the committee you mentioned.

With best regards, I am

Very truly yours,

W. P. SOUTHWELL, SR.

Mr. WAY. As an illustration of the importance of special skills in this business, you can make a die, if you do not know what you are doing, out of rubber and it will run only 1,000 impressions and with skill you can make one also out of almost the same rubber that will run into the thousands of impressions—you might say into the millions. You might process a die which to a layman was relatively inexpensive and looked good and yet the thing would be the most expensive thing you can buy, because it would only run one-fourth as long as a properly made die. I think we should bear that fact in mind. In other words, simply because you could hire a typesetter and a pantograph man to make a mold and process a die does not

mean it is the equal of this particular die [indicating one made by Mr. Schweizer].

Mr. CURTIS. Mr. Chairman, I think we should have for our record the details on this Ogden thing from the Ogden Arsenal of the Ordnance Corps at Ogden, Utah. The request which they received was from J. B. Hohmer, contracting officer, Ogden Arsenal, Ogden, Utah.

What was he inquiring about in his letter?

Mr. SCHWEIZER. That is how we found out that the Government was going into competition with us out there. They requested descriptive literature on stamp-making machines capable of making stamps up to certain sizes in Gothic type.

Mr. CURTIS. Do you know who heretofore has been supplying Ogden?

Mr. WAY. I do not, but I will tell you how these things happen.

Mr. CURTIS (interposing). Could you find out and get us that information? If you will get in touch with the man who has been supplying these stamps for the arsenal at Ogden, Utah, and tell him we are going to be there on a certain date and let him be there and we will take this matter up and I believe in that way we can get a thorough understanding from both sides at one time.

Mr. BONNER. I think that is the best solution.

Mr. BROWNSON. You might also want to check with the Air Force in view of the interest at the Air Matériel Command at Wright Field in regard to the production of rubber stamp materials.

Mr. WARD. We will be at the Ben Lomond Hotel in Ogden and your man can contact the subcommittee there.

Mr. BONNER. Will you furnish us with a list of the companies in this association?

Mr. WAY. I can give you that right now, and also the brochure which you might wish to place in the record.

Mr. BONNER. With that, unless there is further discussion, we will look into this matter and let you hear from us. We appreciate your meeting with us and are glad to have the information which you have furnished on the subject for the record. If there are no further questions, the subcommittee will be adjourned.

(The subcommittee adjourned at 5:10 p. m.)

(Marking Service Association membership roster for 1952 follows:)

ST. LOUIS EXHIBIT 3

MARKING DEVICE ASSOCIATION, OFFICERS AND DIRECTORS, 1952

OFFICERS

Chairman of the board: Frank H. Eyman, director district 4
President: Jack T. F. Bitter, director district 5
Vice president: Willard S. Freeman, director district 9
Treasurer: Austin P. Winters, director district 2
Assistant treasurer: Joe Pardi, Sr., member district 4

EXECUTIVE COMMITTEE

Frank H. Eyman, director district 4
Jack T. F. Bitter, director district 5
Willard S. Freeman, director district 9

DIRECTORS

District 1, 1952

Arlie L. Fox, Jas. H. Matthews & Co., 3942 Forbes Street, Pittsburgh 13, Pa.

District 2, 1953

Austin P. Winters, Winters Stamp Manufacturing Co., 71 West Jersey Street, Elizabeth 2, N. J.

District 3, 1954

E. M. Mellgren, St. Paul Stamp Works, 65 East Fifth Street, St. Paul 1, Minn.

District 4, 1953

Frank H. Eyman, Art Novelty Manufacturing Co., 1515 West Cullerton Street, Chicago 8, Ill.

District 5, 1954

Jack T. F. Bitter, the Parker Stamp Works, 650 Franklin Avenue, Hartford 1, Conn.

District 6, 1952

E. Y. Cottingham, Houston Stamp & Stencil Co., Post Office Box 1723, Houston, Tex.

District 7, 1954

Arthur T. Partridge, Seattle Rubber Stamp Works, 912 Third Avenue, Seattle 4, Wash.

District 8, 1953

J. Howard Patrick, Patrick & Moise-Klinkner Co., 560 Market Street, San Francisco 4, Calif.

District 9, 1952

W. S. Freeman, Barnard Stamp & Stencil, Ltd., 8 George Street, Hamilton, Ontario

Secretary and general manager

Elmer F. Way, Marking Device Association, 134 North LaSalle Street, Chicago 2, Ill.

Legend for membership lists

Marking Device Association	Indicates Active member.
*Marking Device Association	Indicates Branch Member.
#Marking Device Association	Indicates Associate Member.
John H. Doe	Indicates Official and
William A. Smith	Alternative Representative.

DISTRICT 1

KENTUCKY

Firm	Address	Phone
Validay Co Albert L. Niehaus.	904 Berry Ave., Bellevue	

MICHIGAN

Firm	Address	Phone
Accurate Stamp Co A. C. (Art) Linde. Earl Neumann	6030 East Eight Mile Rd., Detroit 34	TWinbrook 1-1430.
Acme Marking Equipment Co Don E. (Don) Forrester. Douglas G. (Doug) Forrester.	8030 Lyndon Ave., Detroit 21	UNiversity 1-8070.
Cadillac Stamp Co E. H. (Ricky) Novak.	17315 Ryan Rd., Detroit 12	WOodward 1-3276.
Clean Cut Stamp Co Don C. Wilber.	426 Superior St., Detroit 1	TEmple 1-3655.
Detroit Numbering Machine Co Jos. F. (Joe) Foerg. Fred J. Foerg.	535 Bates St., Detroit 26	WO 1-4110.

Legend for membership lists—Continued

DISTRICT 1—Continued

MICHIGAN—continued

Firm	Address	Phone
Detroit Stamp & Stencil Co. Walter L. (Walt) Leonard. James F. (Jim) Miller.	523 Shelby St., Detroit 26	WOodward 1-1151.
Hoff, Will, Rubber Stamp Co. Will Hoff.	1042 Cass Ave., Detroit 26	WOodward 3-0627.
McBride Stamp Co. Thos. R. (Tommy) McBride.	3741 McDougall Ave., Detroit 7	LOrain 7-1150.
Neumann Engraving Co. Clarence P. Neumann.	9941 Northlawn, Detroit 4	TExas 4-1005.
New Method Steel Stamps, Inc. C. O. (Carl) Malmstrom.	149 Jos. Campau Ave., Detroit 7	LOrain 7-4235.
Pyramid Stamp & Tool Co. Adam J. (Red) Reinhard.	2000 Porter St., Detroit 16	WOodward 2-4423.
Superior Seal & Stamp Co. Charles O. Lee. Charles O. (Chuck) Lee, Jr.	1401 Vermont Ave., Detroit 16	WOodward 2-4424.
Union Steel Stamp & Die Engravers. Edward J. (Ed) Baribeau.	10318 Shoemaker Ave., Detroit 13	WAlnut 1-5210.
Victor Stamp Co., Inc. C. A. (Charles) Brady.	525 Woodward Ave., Detroit 26	RA 0411.
Volk Stamp & Stencil Co. H. A. (Jeff) Jefferies. R. L. (Redge) Hankins.	214 Randolph St., Detroit 26	WOodward 2-3450.
Flint Rubber Stamp Works. Don C. Smale. Sid Smale.	340 West 1st St., Flint 3	5-2341.
Dri-Flo Manufacturing Co. R. F. (Ray) Yeager. Miss Katie Negro.	642 East 10 Mile Road, Hazel Park	Lincoln 4-0220.
Kay-Art Co., Inc., The O. R. (Barney) Barnhart. Chas. C. Knowles.	708 Baker St., Lansing 10	
McMurphy, G. L. G. L. (Lyman) McMurphy.	4113 Mackinaw St., Saginaw	2-7369.

NEW YORK

Gibson, A. C., Co., Inc. Calder A. Gibson. John S. (Johnny) Soars.	70 Oak St., Buffalo 5	WAshington 6904.
*Wilsolite Corp. C. (Crawford) Wettlaufer. E. W. (Ed) Sanders.	501-11 Amherst St., Buffalo 7	DE 7020.
*Econo Products, Inc. Selden E. May. Robert E. (Bob) May.	132 Humboldt St., Rochester 10	CUlver 0298.
Morse, C. H., & Son, Inc. Arthur W. Schmidt, Jr.	21 North Water St., Rochester 4	MA 1291.

OHIO

Excelsior Stamp Works Co., The Harry F. Kolar. Charles E. Farmer.	88 Ash St., Akron 8	FR 7121.
Fries, Anthony J., & Son Co. Charles A. Buerman.	717 Sycamore Ave., Cincinnati 2	CHerry 0670.
Wright, Greg, & Sons William F. (Bill) Wright. Gregory G. (Greg) Wright.	119 Opera Pl., Cincinnati 2	PArkway 3310.
Acme Stamp Co., The Michael C. (Mike) Lederer.	1106 Prospect Ave., Cleveland 15	MAin 4374.
Bates Manufacturing Co., The Frank N. Graham.	18230 Lorain Rd., Cleveland 11	CLearwater 1-2777.
Chandler & Fisher Co., The Arthur J. (Art) Manke. Herbert (Herb) Dopmeyer.	12808 Triskett Rd., Cleveland 11	CLearwater 1-0221.
Cleveland Rubber Stamp Works. Alex W. (Al) Dery.	1426 West 3d St., Cleveland 13	CHerry 1-6211.
Dickey-Grabler Co., The W. J. (Bill) Primrose, Sr. Elmer A. (Al) Verrell.	10302 Madison Ave., Cleveland 2	WOodbine 1-4172.
Excelsior Stamp Works Co., The H. R. (Herman) Seefried. J. David (Dave) Horsfall.	15 Euclid Arcade, Cleveland 15	MA 1485.
Marking Devices Ben M. Griggs. Don (Monk) Thomson.	5511 Euclid Ave., Cleveland 3	EXpress 8490.

Legend for membership lists—Continued

DISTRICT 1—Continued

OHIO—continued

Firm	Address	Phone
Metal Marker Manufacturing Co. Austin S. Moyer. Albert G. Schwartz.	1384 East 40th St., Cleveland 3	UTah 1-1444.
Perfection Rubber Stamp Co., The Fred Scain. Frances E. Dearth.	750 Prospect Ave., Cleveland 15	CHerry 6033.
Royal Stamp Manufacturing Co., The Walter E. Tache. Ralph W. Smith.	812 Huron Rd., Cleveland 15	CHerry 1-1477
Columbus Stamp Works, Inc., The R. A. Heider.	115 E. Gay St., Columbus 15	MAin 3613.
Hiss Stamp Co., The Herman A. (Herm) Bloom. Charles (Chuck) Quelette.	195 East Long St., Columbus 15	ADams 5119.
Dayton Stencil Works Co., The C. G. (Clem) Jauch. L. J. (Lawrence) Jauch.	111-115 East 2d St., Dayton 2	ADams 3101.
Mansfield Rubber Stamp Works David M. Hedrick (Pop). William L. (Bill) Hedrick.	55 North Diamond St., Mansfield	2328-6.
Haerr & Rosenberry, Inc Edward H. (Ed) Bushman.	41 West High St., Springfield	3-9113.
Bernard Engraving Co James (Jim) Bernard. Fred Bernard.	North 12th at Sherman Sts., Toledo 10	GArfield 3481.
Tilenius & Randolph Co Erich Tilenius. J. L. Randolph.	1723 Canton Ave., Toledo	AD 1047.
Toledo Stamp & Stencil Co., The H. E. (Homer) Willard.	125 North Erie St., Toledo 2	MAin 7119.
All-mark Stamp & Sales R. E. (Bob) Lohr.	124 Chestnut St., Post Office Box 1026, Youngstown 1.	7-8130.
Atlas Stamp Co E. J. (Ned) Kauffman, Jr.	12 North Phelps St., Youngstown 1	3-2555.

PENNSYLVANIA

Kimmel Rubber Stamp & Printing Works Gerald L. (Gerry) Kimmel. George E. Sisson. Norman A. Fritz.	27 East 9th St., Erie 1	4-0166. 4-0167.
Superior Rubber Stamp & Printing Works Glen W. Carney.	1813 Parade St., Erie	
Cunningham, M. E., Co F. S. (Frank) Speicher, Jr. Frank S. Speicher, Sr. Walter J. (Walt) Speicher.	115 East Carson St., Pittsburgh 19	HEmlock 1-2470.
Matthews, Jas. H. & Co A. L. (Arlie) Fox. R. E. (Ray) Ginn.	3943 Forbes St., Pittsburgh 13	MUseum 1-8500.
Pannier Corp., The Ralph A. (Pan) Pannier. Carl O. Pannier.	207-209 Sandusky St., Pittsburgh 12	FA 1-5185.
Pittsburgh Stencil & Tool Co H. C. (Rick) Rickenbach. P. J. Rickenbach.	Reedsdale and Scotland Sts., Pittsburgh 12.	ALlegheny 1-3666.

DISTRICT 2

DISTRICT OF COLUMBIA

Lamb Seal & Stencil Co Richard L. (Dick) Lamb. Clayton (Brownie) Brown.	824 13th St., NW., Washington 5	NA 8722.

MARYLAND

Dorman, J. F. W. Co., The Charles M. (Charlie) Reed. C. A. (Al) Kuper, Jr.	526 North Calvert St., Baltimore 3	VErnon 6012.
Modern Stamp Manufacturing Co Henry C. Curlander. Henry Curlander, Sr.	208 East Baltimore St., Baltimore 3	CAlvert 0500.

Legend for membership lists—Continued

DISTRICT 2—Continued

NEW JERSEY

Firm	Address	Phone
♦Williamson & Co. Eugene (Gene) Williamson. Willis (Bill) Piggins.	Passaic Avenue, Caldwell	CA 6-2500.
Fulton Marking Equipment Co. R. R. (Ray) Fritz. R. W. (Ray, Jr.) Fritz.	82 Fulton St., Elizabeth 1	EL 2-4727; WOrth 2-2649 (New York City).
Winters Stamp Manufacturing Co. Austin P. Winters.	71 West Jersey St., Elizabeth 2	EL 2-3725.
Weber & Son T. L. Weber. H. E. (Hal) Weber.	101 South St., Freehold	Freehold 8-1644J.
♦Gottscho, Adolph, Inc. Ira Gottscho.	6 Evans Terminal, Hillside	WOrth 2-0276.
Oraton Rubber Stamp Co. George C. Baier.	71 Colt St., Irvington 11	ESsex 2-5474.
•Matthews, Jas. H., & Co. W. R. King.	1151 Bloomfield Ave., Clifton	Gregory 3-7330.
Quality Engraving & Rubber Stamp Works. J. E. (John) Kelly. J. J. (Jack) Rottenberg.	67-69 Walnut St., Newark 5	MArket 3-2965.
Blanchet, Paul G.	300 Main St., Orange	Orange 3-3176.
Mittag & Volger, Inc. J. A. (Alex) Campbell. H. S. (Howard) Locke.	76 Park Ave., Park Ridge	Park Ridge 6-0001.
Volger, B. G. Manufacturing Co., Inc. David (Dave) Brett. Augustus (Gus) De Vera, Jr.	278 Main Ave., Passaic	Prescott 9-0487.

NEW YORK

Lang Stamp Works, Inc. H. P. (Hildreth) Drew.	18 Green St., Albany 1	ALbany 3-8571.
Superb Stamp Pad Co. Alberta A. (Bert) Woodruff. F. P. (Fred) Woodruff.	27-29 Cottage St., Auburn	2-6432.
Joggerst, Ben L., & Son Ben L. Joggerst. Robert B. (Bob) Joggerst.	142 State St., Binghamton	4-2360.
Barlam, W., Rubber Stamp Manufacturing Co. William (Bill) Barlam. Gerald (Jerry) Barlam.	396 East Tremont Ave., Bronx 57	CYpress 9-6017.
Consolidated Bronze Tablet Co. Cataldo Papaleo (Tom). John (Doc) Lamirata.	718-28 Atlantic Ave., Brooklyn 17	UL 7-4585.
Force, Wm. A. & Co., Inc. Wm. A. (Art) Force, III.	216 Nichols Ave., Brooklyn 8	APplegate 7-6633.
Roberts Numbering Machine Co. Rod L. Hickey.	700 Jamaica Ave., Brooklyn 8	APplegate 7-3900.
Roovers Bros., Inc. Jos. M. Lotsch.	3611 14th Ave., Brooklyn 18	GEdney 5-0004.
Deakin, J. Arthur & Sons. J. Arthur Deakin.	150-28 Hillside Ave., Jamaica 2	AX 7-8040, 8041.
Allied Engravers, Inc. Albert (Al) Ammon. Anthony (Tony) Tobuck.	552 Broadway West, New York 12	SPring 7-4150.
Bates Manufacturing Company. S. M. Babson.	30 Veasey St., New York 7	CO 7-5011.
Becker Bros. Engraving Co. George E. Becker.	103 Lafayette St., New York 13	CAnal 6-7282.
Becker Mechanical Engravers. Philip (Phil) Becker. Edward (Ed) Schoenfield.	....do....	Do.
Bekkevold, August. August Bekkevold.	19 Ann St., New York 7	CO 7-6721.
Binney & Smith. Morris B. Rehse.	41 East 42d St., New York 17	MU 2-1960.
•Consolidated Stamp Manufacturing Co., Inc. A. W. Schmidt, Jr.	44 Warren St., New York 7	
Cushman & Denison Manufacturing Co., Inc. R. E. Gooley.	135 West 23d St., New York 11	
•Everson-Ross, Inc. William (Bill) T. Richert. Donald (Don) Atcheson.	88 Chambers St., New York 7	BA 7-0620.

Legend for membership lists—Continued

DISTRICT 2—Continued

NEW YORK—continued

Firm	Address	Phone
*Force, Wm. A. & Co Harry G. Baumann.	64 White St., New York 13	
General Stencils, Inc Joseph (Joe) Klugman. M. R. (Teddy) Theodore.	129-35 Lafayette St., New York 13	WOrth 4-8014.
Joseph, W. H. & Son Ruth W. Hickey.	119 Fulton St., New York 38	BEekman 3-5375.
Krengel Manufacturing Co., Inc A. L. (Al e) Gershon. G. A. (George) Feldman.	227 Fulton St., New York 7	
Link Paper Co Ernest J. (Ernie) Link. Donald T. (Don) Auld.	220 Broadway, New York 7	CO 7-4100.
Marking Devices Co Arthur M. (Art) Stoschy. Louis J. (Louie) Psenclk.	107 Worth St., New York 13	WOrth 2-6075.
*Matthews, Jas. H. & Co William R. (Bill) King. Woodrow W. (Woody) Miller.	480 Canal St., New York 13	WAlker 5-9860.
N. B. C. Engraving Co Nat B. Capra.	145 Hudson St., New York	WAlker 5-9630.
#New Hermes Engraving Machine Corp H. Susskind.	13-19 University Pl., New York 3	
New York Stencil Works Henry C. (Hank) Hopp. R. E. Peoble.	221 Fulton St., New York	BA 7-4997-8.
Packard, J. S., Inc Mildred A. Packard. Harold P. Bridener.	200 Hudson St., New York 13	WAlker 5-4925.
Reese, Stanley H Stanley H. (Doc) Reese, Sr. Stanley H. Reese, Jr.	57 Warren St., New York 7	CO 7-4048.
Reese, S. W., & Co Sherman W. (Sherm) Reese. Harry Whitman.	53 Ann St., New York 38	BEekman 3-4654-5.
#Russell, Holbrook & Henderson, Inc Robert T. Lunn. Lewis Russell.	292 Madison Ave., New York 17	MUrray Hill 5-3494.
Sheridan & Nichol, Inc Philip V. (Phil) Sheridan.	64 Murray St., New York 7	BArclay 7-6976.
Sossner Steel Stamps A. J. Sossner. H. M. Newell.	161 Grand St., New York 13	DIgby 9-1470.
Specialty Ink Co., Inc Harry Werwa.	48 New Chambers St., New York 7	BEekman 3-5296.
Standard Stamp & Stencil Works, Inc (Miss) Cicely (Cis) Sugarman. (Mrs.) Jeanette F. Scheuer.	120 Fulton St., New York 7	BArclay 7-0642.
Stewart, R. A., & Co., Inc Simon J. (Si) Donnelly.	80 Duane St., New York 7	WOrth 2-0314.
*Superior Marking Equipment Co George R. Smith.	200 5th Ave., New York 10	
Time, Date & Number, Inc C. F. (Chris) Bachmann. Wm. (Bill) Indelicato.	368 Broadway, New York 13	WOrth 4-1666.
Consolidated Stamp Manufacturing Co., Inc A. W. Schmidt, Sr.	Spring Valley	
Numerali Stamp & Tool Co M. (Max) Bayerdorffer.	379 Hugenot Ave., Staten Island 12	HO 6-0814.
Banning, W. E. Stamp & Stencil Co (Mrs.) W. G. Morrell.	200½ Water St., Syracuse 2	
*Matthews, Jas. & Co F. W. (Fred) Atkinson, Jr.	269 Erie Blvd. West, Syracuse 2	2-9275.

PENNSYLVANIA

American Stamp & Stationery Co Joseph H. S. (Joe) Roberts.	539 Hamilton St., Allentown	4-9486.
Harrisburg Stencil Works (Miss) K. G. (Kathryn) McCann.	14 North 5th St., Harrisburg	HA 5479.
Commercial Stamp Company J. J. (John) Norcross.	424 Walnut St., Philadelphia 6	LOmbard 3-4545.
Crown Marking Equipment Co S. J. Donnelly.	Belfield & High Sts., Philadelphia 44	

Legend for membership lists—Continued

DISTRICT 2—Continued

PENNSYLVANIA—continued

Firm	Address	Phone
Curry, Samuel F., Inc William B. (Bill) Curry, Sr. Samuel F. (Sam) Curry. William B. (Bill) Curry, Jr.	231 Chestnut St., Philadelhia 6	MArket 7-0990.
Dilks, H. & Co Michael F. Sheridan.	1613 Sanson St., Philadelphia 3	
Evans & Convery Edward (Ed) Sedgley. Fred W. (Wes) Evans.	24 North 6th St., Philadelphia 6	LOmbard 3-7836.
Keystone Stamp & Stencil Works Paul A. Hummel. Alfred (Al) Schauble.	219 Arch St., Philadelphia 6	MArket 7-3868.
*Matthews, Jas. H., & Co D. J. Egan.	401 North Broad St., Philadelphia	
Metal Supply Co Elliott (Ell) Frizlen. William (Bill) Frizlen, Jr.	2440 Germantown Ave., Philadelphia 33.	STevenson 7-0220.
Quaker City Stencil & Stamp Works Richard W. (Dick) Shindler.	234 Arch St., Philadelphia 6	MArket 7-4418-9.

VIRGINIA

National Seal Works Robert (Bob) Reinhard. Harry M. Reinhard.	1219 East Main St., Richmond 1	3-8313.
Southern Stamp & Stationery Co S. S. (Sam) Rosendorf, Jr.	90 Broad St., Richmond	3-5387.
Virginia Stationery Co., Inc Sam Iseman.	913 East Main St., Richmond 19	3-9189.

DISTRICT 3

CANADA

O. K. Marking Devices, Ltd Harry Knowlden. Fred J. Meadows.	Davin Bldg., Regina, Saskatchewan	22856.

COLORADO

Sachs-Lawlor Co., The Henry E. Sachs. Joseph P. Crow.	1543 Larimer St., Denver	ALpine 3422.
Stemac Co W. E. Stevens.	1277 South Cherokee, Denver 2	SHerman 2431.

IOWA

Bankers Rubber Stamp, Inc Norman Paul.	421 9th St., Des Moines 9	
Des Moines Rubber Stamp Works Frank Child. Frank (Buz) Child, Jr.	215 5th Ave., Des Moines 9	8-7253.
Young Bros. Stamp Works Maurice A. Young. Merle Young, Jr.	1307 Howard Ave., Muscatine	2866.
Hollar, F. P., & Son E. F. (Ernest) Hollar. G. H. (Hartmann) Hollar.	221 5th Ave., Sioux City 16	8-2700.

Legend for membership lists—Continued

DISTRICT 3—Continued

MINNESOTA

Firm	Address	Phone
Crown Rubber Stamp Co G. E. (Ed) Livingston.	214 South 5th St., Minneapolis 2	MAin 4543.
Hoff Rubber Stamp Co., Inc Henry Hoff. Stanley C. (Stan) Hoff.	224 South 4th St., Minneapolis 1	ATlantic 5454.
Twin City Stamp & Stencil Co H. W. (Buster) Beckgren.	516 South 5th St., Minneapolis 15	GEneva 5741.
Wendell's, Inc J. N. (Jim) Barnum. Wm. E. (Bill) Bryant.	325 Marquette Ave., Minneapolis 1	MAin 3548.
Williamson Stamp Co Axel F. (Ax) Peterson.	16 North 3d St., Minneapolis 1	MAin 0481.
Advance Stamp Works W. F. (Bill) Lorenz. George E. Tischler.	138 East 5th St., St. Paul 5	CE 1331.
American Stamp Works Robert H. (Bob) Messing.	304 Robert St., St. Paul 1	CEdar 5221.
Carnes Stamp Co Donald L. (Don) Carnes.	315 Jackson St., St. Paul 1	GArfield 2696.
Minnesota Marking Products George G. Roussopoulos. John G. (Jack) Murphy.	26 East 4th St., St. Paul 1	CEdar 7171.
Northwestern Stamp Works John Alvin (Johnny) Herrmann. C. R. (Cy) Carlson.	321 Ceadr St., St. Paul 1	GArfield 7475.
St. Paul Stamp Works E. M. (Ed) Mellgren. Ed Mellgren, Jr. J. C. (Jim) Mellgren.	65 East 5th St., St. Paul 1	GArfield 3375–6.

MISSOURI

Allen Marking Products, Inc Howard K. Hendricks.	804–6 Delaware St., Kansas City 6	VIctor 0963.
Best Stamp & Manufacturing Co Morton I. (Mort) Newell. Frank V. Newell.	900 Main St., Kansas City 6	HA 4466.
Liepsner, H. C., & Co Lewis G. (Louie) Dore. Earl Harsh.	1513 Oak St., Kansas City 8	HA 2511.
Mercury Stamp Co Charles (Chuck) Henderson.	900 Baltimore Ave., Kansas City 6	VIctor 0974.

NEBRASKA

Artcraft Rubber Stamp Co Arthur (Art) Prouty.	311 South 13th St., Omaha 2	ATlantic 8866.
Cooke, J. P., Co., The J. Lawrence Cooke.	1111 Farnam St., Omaha 8	JAckson 7175.
Cooke Time Stamp Co., The J. Lawrence Cooke.	1111–13 Farnam St., Omaha 8	JAckson 7175.
Western Stamp & Stencil Co Fred L. Johnson. George D. Johnson.	1120 Farnam St., Omaha 8	JAckson 1714.

NORTH DAKOTA

Fargo Rubber Stamp Works C. M. (Cy) Fossum.	519 1st Ave. North, Fargo	2–2263.

Legend for membership lists—Continued

DISTRICT 4

ILLINOIS

Firm	Address	Phone
Marsh Stencil Machine Co Walt Marsh. E. J. (Gene) Marsh.	707 East "B" St., Belleville	135.
Accurate Rubber Plate Engravers Louis Fineberg. Joe Schillaci.	1359 West Washington Blvd., Chicago 7.	
Acme Bronze Co Tom Jackson.	8615 South Racine Ave., Chicago 20	HUdson 3-5077.
Action Molded Products Co Arthur C. (Art) Valiant, Jr. Donald A. (Don) Fredericks.	7211 Irving Park Rd., Chicago 34	TUxedo 9-9200.
American Brush Corp Bennett Goodman.	1113 North Franklin St., Chicago 10	
American Seal & Stamp Co Jos. A. (Joe) Pardi, Sr. Jos. A. Pardi, Jr. Donald E. (Don) Pardi.	32 South Clark St., Chicago 3	CEntral 6-2619.
Art Novelty Manufacturing Co F. H. (Frank) Eyman.	1515 West Cullerton St., Chicago 8	CAnal 6-7711.
Bankers & Merchants Stamp Works S. M. (Samual) Weissman. Lowell H. Weissman.	3229 North Sheffield Ave., Chicago 13	BIttersweet 8-6234.
*Cadillac Stamp Co Frank Goelet.	3000 Irving Park, Chicago 18	IN 3-1322.
Consolidated Stamp Manufacturing Co., Inc Ross C. (Mac) McRae. Eugene B. (Gene) Wade.	1123 West Washington Blvd., Chicago 7.	CHesapeake 3-3090
Dorson Corp T. M. (Ted) Wroble.	605 Washington Blvd., Chicago 6	RAndolph 6-1450.
Eagle Stamp Works, Inc. Eugene B. (Gene) Wade. Ross C. (Mac) McRae.	1123 West Washington Blvd., Chicago 7.	CHesapeake 3-3090
Force, Wm. A., Western Sales, Inc D. J. Wilken.	216 West Jackson Blvd., Chicago	RAndolph 6-6937-38.
Fraser Stamp & Seal Co., Inc Leo Fraser.	81 West VanBuren St., Chicago 5	
Hanson, C. H. Co., The Henry J. Hanson. Charles Hanson. Henry W. (Bud) Hanson.	303 West Erie St., Chicago 10	SUperior 7-1130.
Hellesoe, Hans H Paul E. Heidemann.	2444 West Ainslie St., Chicago 25	LOngbeach 1-1085.
Kiwi Coders Corp J. G. McKay.	3804 North Clark St., Chicago 13	
Lauer, Wm. A., Co Wm. A. (Bill) Lauer. Francis J. Lauer.	3819 South Halsted St., Chicago 9	YArds 7-4543.
Martin & Co H. M. (Harry) Daughtrey.	4445 Ravenswood Ave., Chicago 40	LOngbeach 1-5110.
*Matthews, Jas. H. & Co C. B. (Barney) Calder.	3729 Belmont Ave., Chicago 18	KEystone 9-6773.
Merchants Stamp & Stencil Co., Inc Charles Harfst, Jr.	184 West Washington St., Chicago 2	RAndolph 6-2911.
Meyer & Wenthe, Inc John W. Meyer.	30 South Jefferson St., Chicago 6	FRanklin 2-2822.
Nauert, F. C., Co Fred C. Nauert.	127 South Market St., Chicago 6	STate 2-2240.
#Parisian Novelty Co Harry J. Joseph. Louis E. Kahn.	3510 South Western Ave., Chicago 9	VIrginia 7-1212.
Pierce Wrapping Machine Co Edward (Ed) J. Schrubb. Berlyn (Byn) Pierce.	625 West Jackson Blvd., Chicago 6	ANdover 3-3823.
Quality Die Co Otto E. Hoffmann. Erich O. Hoffmann.	3065 East 93d St., Chicago 17	ESsex 5-6601.
Republic Engraving & Design Co John A. Brown.	311 North Desplaines St., Chicago 6	STate 2-4540.
Rite Engraving Co., Inc., The Louis A. (Luigi) Zocchi. Milton S. (Milt) Applebaum. Adolph (Ader) Salvatori.	615 West Randolph St., Chicago 6	RAndolph 6-6957.
Rueffer Stamp Works, Inc William (Pete) Rueffer. Anthony (Tony) Ritt.	2926 West Belmont Ave., Chicago 18	JUniper 8-4280.
Safford Stamp Works, Inc Arthur C. (Art) Sturm.	205 West Madison St., Chicago 6	RAndolph 6-2057.

Legend for membership lists—Continued

DISTRICT 4—Continued

ILLINOIS—continued

Firm	Address	Phone
Schmidt, Geo. T., Inc. Raymond G. (Ray) Schmidt. Ralph J. Foley.	4100 Ravenswood Ave., Chicago 13	EAstgate 7-0300.
Sigwalt Manufacturing Co., The J. Floyd Sigwalt.	2011 North Lawndale Ave., Chicago 47	BElmont 5-6872.
Superior Marking Equipment Co J. R. (Jud) Swift. R. W. (Roy) Redin.	1800 Larchmont Ave., Chicago 13	WEllington 5-4810.
Wilcox, W. W. Manufacturing Co J. M. Voorhees.	564 West Randolph St., Chicago 6	
Weese Printing Co Julius G. Weese. John M. Weese.	8 North Joliet St., Joliet	JOliet 9176.
#Studebaker Machine Co W. E. Guest.	1221 South 9th Ave., Maywood	MAywood 65.
Aimen's Arch Aimen. Jack Aimen.	309 Madison, Peoria	3-5200.

INDIANA

Evansville Stamp & Supply Co Edward W. Espenlaub.	102 Main St., Evansville 8	3-2905.
Mayer, Geo. J. Co Lewis C. (Lew) Duncan.	546 East Market St., Indianapolis	IM 6422.
Thoms Rubber Stamp Works Fred H. Thoms. Mildred H. Thoms.	1805 Park St., Terre Haute	C-1570.

MICHIGAN

Lake Shore Engravers Kent H. Hughes.	279 9th St., Benton Harbor	
Forbes Stamp Co., The Wm. (Bill) Van Prooyen, Jr. Kenneth (Ken) Van Prooyen.	232-234 Ottawa Ave. NW., Grand Rapids 2.	GL 61577.
Joslin, A. D., Manufacturing Co Norman (Norm) Sheras. Emanuel (Mandy) Sheras.	123 Arthur, Manistee	214.
Muskegon Marking Equipment Co Charles E. (Chase) Nielsen, Sr. Charles E. (Chuck) Nielsen, Jr.	1147 3d St., Muskegon	2-8884.

MISSOURI

Adams, S. G., Co S. S. Adams.	920 Olive St., St. Louis 8	MAin 2215.
American Rubber Stamp Co W. C. (Bill) Kerls. R. W. (Russ) Kerls.	2324 North Florissant Ave., St. Louis 6	CEntral 5750.
Barnard Stamp Co G. A. (Jerry) Venker. Wm. G. (Bill) Venker.	310 Olive St., St. Louis 2	MAin 2547.
Missouri Brush & Crayon Co Joseph A. (Joe) Elges. W. C. (Wes) Shervey.	2728 Brentwood Blvd., St. Louis 17	REpublic 9906.
Chas. K. Schweizer Co John E. Schweizer. Wm. H. (Bill) Krueger.	231 Russell Ave., St. Louis 4	LAclede 8600.

Legend for membership lists—Continued

DISTRICT 4—Continued

WISCONSIN

Firm	Address	Phone
Rubber Engraving & Stamp Co. Edlee L. (Ed) Karnz.	405 13th Ave., Green Bay	HOward 7399.
Hafemann Rubber Stamp Co. Harry A. Hafemann.	739 North 2d St., Milwaukee 3	MArquette 8-1282.
Reliance Stamp & Stencil Works Otto H. Schumann.	218-A East Mason St., Milwaukee 2	DAly 2380.
Rubber Art Engraving Co. Elmo M. McFarland.	2617 North 15th St., Milwaukee 6	
Schwaab Stamp & Seal Co., The Norbert C. Wolter. Harry K. Gray.	547 North Water St., Milwaukee 2	DAly 1746.
Wisconsin Engraving Co. Harry A. Witt.	2947 North 30th St., Milwaukee 10	KIlbourn 4790.
♯ Gorton, George, Machine Co. George Gorton, Jr. Harlow Klema.	1321 Racine, St., Racine	JAckson 415.

DISTRICT 5

CONNECTICUT

Noble & Westbrook Manufacturing Co., The. William C. (Bill) Westbrook. Howard B. Noble.	20 Westbrook St., East Hartford 8	8-2181.
Aetna Stamp & Engraving Co. W. A. Glahn.	71 Asylum St., Hartford	6-5887.
Dutton, C. H. Steel Stamp Co., The Charles H. (Charlie) Dutton. Edward W. (Ted) Price.	516 Asylum St., Hartford 5	6-4276.
Hartford Stamp Works, The S. D. (Sam) Rulnick. Milton (Milt) Rulnick.	104 Asylum St., Hartford 3	6-7171.
Parker Stamp Works, Inc., The Jack T. F. Bitter. H. Calvin (Bus) Bitter.	650 Franklin Ave., Hartford 1	46-1651.
Preston Engraving Co. Anthony Monaco.	276 Franklin Ave., Hartford	
Russell, A. G., Inc. A. G. (George) Russell.	94 Allyn St., Post Office Box 1685, Hartford 3.	6-9093.
Taylor & Helander Manufacturing Co., The B. (Bert) Helander.	18 Hartford Ave., New Britain	N. B. 3-0532.
Hoggson & Pettis Manufacturing Co., The Carl A. Stephan. Geo. E. Brickwood.	141 Brewery St., New Haven 7	5-4189.

MAINE

Tufts Bros. G. R. (Royal) Tufts. F. H. (Fred) Tufts.	193 Middle St., Lewiston	47541.

MASSACHUSETTS

Allen Bros. Corp. J. Warren Wales.	17 Cornhill, Boston 8	CA 7-2132.
Bauer, Adolph Adolph Bauer.	81 Washington St., Boston 8	
Dimond-Union Stamp Works, Inc. Richard M. Lee.	do	LAfayette 3-7130.
Edwards, T. J., Inc. H. E. (Herb) Edwards. Robt. B. Fowle.	121 Beach St., Boston 5	LIberty 2-7687.
Federal Stamp Co. Harry T. Leach.	19 High St., Boston 10	LIberty 2-1336.
* Matthews, Jas. H., & Co. Hugh T. Lordon.	470 Atlantic Ave., Boston 10	LIberty 2-2730.
Spencer, S. M., Manufacturing Co. Richard E. (Dick) Beckert.	3 Cornhill, Boston 8	CApital 7-0374.
Mason, W. B., Co. Samuel (Sam) Kovner.	59-61 Center St., Brockton 35	Brockton 751.
Carter's Ink Co. W. M. Fletcher.	239 1st St., Cambridge 42	KIrkland 7-2950.

Legend for membership lists—Continued

DISTRICT 5—Continued

MASSACHUSETTS—continued

Firm	Address	Phone
Green Instrument Co. Edwin T. (Ed) Green. W. Franklin (Frank) Fullerton, Jr.	385 Putnam Ave., Cambridge 39.	ELiot 4-2989.
Greenfield Steel Stamp Works, Inc. William J. Thompson. Fay A. Boyden.	2 Mead St., Greenfield.	5638.
Belle-Vue Stamp & Die Co. Kenneth M. Belliveau.	254 Locust St., Holyoke.	2-2218.
Paragon Stamp Works. Joseph J. Penler. John S. Penler.	1843 Purchase St., New Bedford.	N. B. 68277.
Rivet-O Manufacturing Co. Howard R. (Howie) Day.	44 Mill St., Orange.	AThol 2030.
City Stamp Works. Jack Zambazian.	317 Dwight St., Springfield.	
Worcester Stamp Co. Walter H. (Walt) Sharpe. Russell F. (Russ) Mosman.	19 Beacon St., Worcester 8.	4-5824.

RHODE ISLAND

Central Rubber Stamp Works. George C. Goehring	35 Westminister St., Providence 3.	DE 9609.
Craven-Whittaker Co., Inc. Fred Whittaker. Albert (Al) Wheeler.	215 Georgia Ave., Providence 5.	WI 1-6311.
Smith, Maurice C., Co., Inc. G. F. Gilmartin.	52 Pine St., Providence 3.	GA 1-1064.

DISTRICT 6

ALABAMA

Roberts, Osce, Stamp & Printing Co. (Miss) Naldo Roberts.	1911½ 1st Ave., North, Birmingham 3.	3-0424.

ARKANSAS

Reynolds Stamp Co., Inc. Fred B. (Ted) Longstreth. (Mrs.) F. B. (Lois) Longstreth.	125 East 3d St., Little Rock.	2-4984.

FLORIDA

Corporation Seal & Stamp Co. Lewis (Lew) Koehler.	339 Northeast 2d Ave., Miami 32.	2-1886.
Universal Fountain Brush Co. Milton B. Wright. Donald C. (Don) Wright.	205 15th Ave. SE., Post Office Box 295, St. Petersburg.	7-7903.

GEORGIA

Dixie Seal & Stamp Co. Stephen J. (Smitty) Schmidt. Arthur (Colonel) Wrigley.	83 Poplar St., Atlanta 1.	WA 8883.
Southern Stamp & Stencil Co. R. C. (Ralph) McCoy. T. K. (Tommie) Fuller.	105 Marietta St. NW., Atlanta 1.	WA 4431.
Stamp & Stencil Co., The. H. A. (Mike) Ernst. H. A. (Andy) Ernst, Jr.	326 West Bay St., Savannah.	2-1006.

Legend for membership lists—Continued

DISTRICT 6—Continued

LOUISIANA

Firm	Address	Phone
New Orleans Stamp & Stencil Co., Inc. W. J. (Bill) Lusey, Jr. John D. (Johnnie) Eagan.	330 Camp St., New Orleans 12	RAymond 2960. CAnal 6374.
Seiffert, Paul E., & Sons Paul M. Seiffert. John G. (Johnnie) Seiffert.	624 Carondelet St., New Orleans 12	RA 4410.
Smith's, Ed., Stencil Works Morris Maret.	426 Camp St., New Orleans 12	RA 2128.
Wand Rubber Stamp Works Hart A. Wand.	740 Union St., New Orleans 12	RA 0981.

MISSISSIPPI

Dixie Rubber Stamp & Seal Co R. W. (Bill) Terry.	516 East Amite St., Jackson 27	2-1787.
Gregory Manufacturing Co Owen F. Gregory.	110 Caper St., Post Office Box 1303, Jackson.	5-1429.

OKLAHOMA

O. K. Stamp & Seal Co Aldy Gers.	118 West Grand Ave., Oklahoma City 2.	3-7853.

TENNESSEE

Cooley, W. J. & Co Joe Bluestein.	100 Hernando St., Memphis 1	8-2104.
Dury, Geo. C., Co J. E. (Jed) Dury.	420 Union St., Nashville 3	6-3669.

TEXAS

Whitney Co L. C. (Whit) Whitney.	609 Harrison St., Amarillo 1	6-9061.
Corpus Christi Stamp Works Wilson P. Southwell, Sr.	723 North Mesquite St., Corpus Christi.	
Acme Rubber Stamp Co J. R. (Mitch) Mitchell.	1703½ Live Oak St., Dallas 1	R-2705.
Fellers, Roy M., Co Roy M. Fellers.	2207 Olive St., Dallas 1	Riverside 4997.
Lake, Fred L., & Co John D. Slater. C. C. ("C") Shuffield.	1015 Elm St., Dallas 2	CEntral 4444.
Cartan, R. E Gilbert Varo.	301 Hemphill St., Fort Worth	
Hagood, C. O	111 East 4th St., Fort Worth	
Mulholland, Joe A. & Co Joe A. Mulholland, Jr.	105 Northeast 12th, Post Office Box 727, Fort Worth.	Market 1153.
Love, J. V., & Co E. E. (El) Joel. (Mrs.) E. E. (Tar) Joel.	2219 Mechanic St., Galveston	26941.
Gribble Stamp & Stencil Co C. W. (Bill) Gribble.	2101 Franklin Ave., Houston 14	ATwood 8-5358.
Houston Stamp & Stencil Co., Inc Julian C. (Bug) Laroche. Erwin Y (Cot) Cottingham.	2600 West McKinney Ave., Houston 1.	JU 4158-59.
Meyer, Chas. F., & Co Sam (Sammie) Mauro, Mgr.	1110 Preston Ave., Houston 2	PReston 7724.
Richardson's Rubber Stamp Works J. Robt. (Bob) Richardson, Sr. James R. (Jim) Richardson, Jr.	1308 Walker Ave., Houston 1	Preston 2151.
Davis, Fletcher Fletcher (Tex) Davis.	212 3d St., San Antonio 5	F-1351.
San Antonio Rubber Stamp Co Wilson P. Southwell, Sr. Wilson P. (Bill) Southwell, Jr.	510 North Presa St., San Antonio 6	C-7189.

Legend for membership lists—Continued

DISTRICT 7

ALASKA

Firm	Address	Phone
Anchorage Rubber Stamp Co. Rex E. Ehrhart. (Mrs.) R. E. (Violet) Ehrhart.	Box 1165, Anchorage	

CANADA

British Columbia Stamp Works, Ltd. B. F. (Mac) McEachran. J. (Jack) Burns.	581 Richards St., Vancouver, British Columbia.	PAcific 6723.
Hewitt, Geo. H., Co., Ltd., The C. H. (Cedric) Cherry.	732 Homer St., Vancouver 3, British Columbia.	PAcific 6148.

OREGON

Atlas Stamp & Die Co. Ray Blatzell.	Southeast 24th at Broadway, Portland.	
City Rubber Stamp Co. K. H. (Ken) Pearson.	421 Southwest 2d Ave., Portland 4	BRoadway 2881.
Gillespie Decals, Inc. R. E. Gillespie.	20 Southeast 8th Ave., Portland	
Irwin-Hodson Co., The F. H. (Fred) Bronner. E. D. (Don) Ross.	439 Northwest 15th Ave., Portland 9	BRoadway 2401.
Krebs Bros. Pacific Coast Stamppad Works Julius (Jules) Krebs. Chas (Charlie) Krebs.	204 Southwest Stark St., Portland 4	ATwater 2089.
Portland Stamp & Seal Co. E. J. (Emanuel) Schiewe. Ray J. Schiewe.	526 Southwest Pine St., Portland 14	ATwater 9698.

WASHINGTON

Grays Harbor Stamp Works C. A. (Windy) Windell.	110 North G St., Aberdeen	Aberdeen 644.
Pacific Coast Stamp Works William J. (Bill) Dunning.	2134 3d St., Seattle 1	EL 6464.
Puget Sound Stamp Works Clarence L. Larson. Robert P. (Bob) Sherry.	120 Marion St., Seattle 4	EL 4566.
Seattle Rubber Stamp Co. A. T. (Art) Partridge.	912 3d Ave., Seattle 4	MAin 8420.
Stan Hall Rubber Stamp Co. Stanley (Stan) Hall, Jr.	911 Western Ave., Seattle 4	MUtual 1984.
Inland-Pacific Stamp Works A. H. (Andy) Rumpeltes. John C. Olson.	516 West Sprague Ave., Spokane 4	MAin 4928.
Spokane Stamp Works Ross Eliot Jensen.	West 409 1st Ave., Spokane 4	MAin 2872.
A-1 Stamp Works Warren W. Schliiter.	1008 A St., Tacoma	MA 7482.
Tacoma Rubber Stamp Co. Edw. J. (Ed) Garrison. Donald W. (Don) Sessions.	933 Commerce St., Tacoma 1	BR 3259.
West Coast Engravers Glenn Daugherty.	921 Market St., Tacoma	
Yakima Stamp & Seal Works Don W. McNeice. Howard W. McNeice.	16 North 2d St., Yakima	8865.

Legend for membership lists—Continued

DISTRICT 8

CALIFORNIA

Firm	Address	Phone
Superior Rubber Stamp Mfg. Co Earl L. Goss.	1256 South Glendale Ave., Glendale 5	
Hollywood Rubber Stamp Co Phyllis Goodrich. G. (Fred) Lobitz.	6779 Santa Monica Blvd., Hollywood 38.	HEmpstead 3111.
Ace Stamp & Stencil Co., Inc Paul E. Lenk.	5261 East Washington Blvd., Los Angeles 22.	PRospect 9857.
Advance Rubber Stamp Co Dent DeLong.	4975 Huntington Dr., Los Angeles 32	
American-Pacific Stamp Co Ernest C. Shaw. Courtenay E. Shaw.	1523 East Washington Blvd., Los Angeles 21.	RIchmond 5406.
Chipron Stamp & Stationery Co Albert K. (Al) Smith, Jr. Edward F. (Ed) Tomek.	627 South Hill St., Los Angeles 14	TRinity 2971.
Crescent Rubber Stamp Co Walter R. Kaiser.	1426 South Broadway, Los Angeles 15.	PRospect 8295.
Los Angeles Stamp & Stationery Co Al C. Davidson.	1500 South Los Angeles St., Los Angeles 15.	PRospect 4331.
Menke Marking Devices E. F. Menke.	408 West Manchester Ave., Los Angeles 3.	
Mercury Metal Die & Letter Co Clayton B. (Bud) Laveau.	546 East 16th St., Los Angeles 15	RIchmond 9383.
Sylvester Supply Co Leo R. Sylvester.	3201 West Florence Ave., Los Angeles 43.	
Victor Rubber Stamp Co Harry Paul Taylor.	4607 York Blvd., Los Angeles 41	CL 6-3784.
Oakland Rubber Stamp Co Rose Bostick Tanquary. C. B. (Tan) Tanquary.	388 12th St., Oakland 7	GLencourt 1-0553.
Pasadena Rubber Stamp Works R. L. Tryon.	40 East Colorado St., Pasadena	
Sleeper Stamp & Stationery Co Henry A. Sleeper.	1015 Eighth St., Sacramento 14	GIlbert 2-8997.
ABC Manufacturers J. H. (James) Reed. H. M. (Hilma) Reed.	461 Bush St., San Francisco 8	EXbrook 2-6177.
City Rubber Stamp Co R. F. (Dick) Studer.	533 Mission St., San Francisco 5	GArfield 1-3054.
Cordray, A. F. & Co A. F. (Art) Cordray. Eugene (Gene) Cordray.	343 Kearny St., San Francisco 8	SUtter 1-8903.
Force, Wm. A., & Co., Inc John W. (Tinkie) Bell.	682 Mission St., San Francisco 5	EXbrook 2-3744.
Nutter, H. M., Co Herman G. Hein.	244 Pine St., San Francisco 4	DOuglas 2-5018.
Patrick & Moise-Klinkner Co J. Howard Patrick. Sig Pels.	560 Market St., San Francisco 4	EXbrook 2-2641.
Precision Electrotype Co Neville J. Rich. Delbert C. (Nick) Nicholl.	1045 Sansome St., San Francisco 11	GA 1-0689.
*Superior Marking Equipment Co R. H. Laeremans.	533 Mission St., San Francisco 5	
Tully-Wihr Co A. B. (Art) Bowe. Betty Dibert.	103 Main St., San Francisco 5	DOuglas 2-1935.
United Stamp & Die Co John B. (Jack) Lavoria. Joseph L. (Joe) Lavoria. James L. (Jim) Lavoria.	340 Sacramento St., San Francisco 11	DOuglas 2-2697.
Richard M. Weber	772 Harrison St., San Francisco	
Anderson Stamp Co A. S. (Andy) Anderson.	1671 Stone Ave., San Jose	CY 4-3136.
Orange County Stamp Co W. T. Lambert.	306½ West 4th St., Santa Ana	
Independent Rubber Stamp Co Gerry O'Connor.	8452 State St., Postoffice Box 30, South Gate.	LA 5286.
South Gate Rubber Stamp Co Don E. Hunt.	9605 California Ave., South Gate	LO 6-0718.
B & L Moulding Supply Co Paul Bloomquist.	1056 Arroyo Dr., Box 16, South Pasadena.	
Service Rubber Stamp Co Arthur W. Wohlwend. John W. Wohlwend.	1012 Mission St., South Pasadena	SYcamore 9-2786.
Markey, John E	411 West Fremont St., Stockton	

Legend for membership lists—Continued

DISTRICT 8—Continued

UTAH

Firm	Address	Phone
*Ogden Stamp Co	2422 Kiesel Ave., Ogden	
Salt Lake Stamp Co E. O. (Ted) Cannon, Jr. Wm. W. (Bill) Cannon.	43 West 3d South, Salt Lake City 1	3-3905.

DISTRICT 9

ONTARIO

Barnard Stamp & Stencil, Ltd Willard S. Freeman. Richard W. S. (Dick) Freeman.	8 George St., Hamilton	2-9219.
Embree Industries, Ltd W. R. Kemp.	151 Birge St., Hamilton	
Sterling Stamp & Stencil Co Warren R. Schram.	74 Carling St., London	
Capital Stamp & Staty. Co., Ltd G. H. (Jerry) Nicholds.	299 Bank St., Ottawa	3-1613.
Super-Service Rubber Plate Co., Ltd P. J. Bidgood.	66 Fraser St., Port Colbourne	
Art Stamp & Seal Company J. Kline.	356 Bay St., Toronto	EL 0922.
Cairns, Bernard, Ltd Wm. B. (Bruce) Johnson. John Bernard (Jack) Johnson.	134 Richmond St. West, Toronto 1	EMpire 3-1375.
Canada Stamp & Stencil Co Jas. Gripton.	74 Dundas St. East, Toronto	ELgin 8601.
Mack, C. W., Company Jas. J. (Jim) Cairns. S. B. (Steve) Brennan.	86 Richmond St. East, Toronto 1	EMpire 3-1031.
Superior Mfg. Company George Pettet.	121 Bathurst St., Toronto	
Toronto Stamp & Stencil Wks., Ltd Stanley W. (Stan) Dowdell. H. C. (Hume) Morrison.	137 Church St., Toronto 2	WAverley 8039.
Wright Rubber Stamp Company James Wright.	100 Simcoe St., Toronto 1	
Force, Wm. A., Ltd Wildred H. (Wilf) Harrison. Ernest R. (Reuben) Harrison.	1215 Greene Ave., Montreal 28	ELwood 0546.
London Stamp & Stencil Co K. O. Zimmermann.	445 St. Peter St., Montreal 1	HArbour 6866.
Montreal Stencil Works, Ltd F. W. Dougherty.	687 St. Paul West, Montreal	
W. D. Armstrong & Company H. S. Saltzman.	642 Craig St. West, Montreal 2	
Dominion Marking Devices Reg'd Ted Lerner.	1015 Bleury St., Montreal 1	
General Engraving Works R. Baribeau.	2 Larochell Ave., Levis	

OVERSEAS MEMBERS

Hanson, John R	26 Ostergade, Copenhagen, Denmark	
Pryor, Edward & Son, Ltd	Broom St., Sheffield 10, England	

NEW MEMBERS

Edward J. Urban	162 Williams St., Bradford, Pa	

FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT—PART III

(Section 1)

(Meeting held at Alameda Medical Depot, Alameda, Calif.)

THURSDAY, AUGUST 21, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
Alameda, Calif.

The meeting held at the Alameda Medical Depot, Alameda, Calif., on the Munitions Board Medical Supply Support Test, convened at 9:30 a. m., August 21, 1952.

Subcommittee members present: Representative Herbert C. Bonner, chairman; (Mrs.) Cecil M. Harden, Charles B. Brownson, and Thomas B. Curtis.

Staff members present: Thomas A. Kennedy, general counsel; Ray Ward, staff director; and Herbert Roback, staff director, Reorganization Subcommittee.

Armed services personnel present: Rear Adm. M. L. Royar, chief, Bureau of Supplies and Accounts, Washington, D. C.; Maj. Gen. P. H. Tansey, Assistant Chief of Staff, G–4; Maj. Gen. Silas B. Hayes, Deputy Surgeon General, United States Army; Maj. Gen. Dan C. Ogle, Deputy Surgeon General, Department of the Air Force; Rear Adm. T. E. Hipp, commanding officer, Naval Supply Center, Oakland, Calif.; Lt. Col. S. G. Asbill, United States Army, commanding officer, Alameda Medical Supply Depot; Lt. Col. J. J. Strnad, Medical Service Corps, Army liaison; Commander W. E. Byrne, Supply Corps, Navy liaison; Capt. L. G. Jordan, Medical Corps, United States Navy; Maj. J. E. Dull, Medical Service Corps, Air Force liaison; and Maj. Clarence Retsky, representative of the Munitions Board.

Mr. BONNER. The subcommittee will come to order.

Before beginning the meeting, Colonel Asbill and you other gentlemen, I desire, for the purpose of those who probably have not met the full subcommittee, to introduce Mrs. Cecil M. Harden, of Indiana, the ranking minority member; Charles B. Brownson, of Indiana; Thomas B. Curtis, of Missouri, and I am Congressman Bonner, of North Carolina. Also, Ray Ward, subcommittee staff director; Thomas Kennedy, counsel for the full committee; and

[1] Name changed to Committee on Government Operations, July 4, 1952.

Herbert Roback, staff director of the Reorganization Subcommittee.

This subcommittee is very much pleased to have the opportunity to visit Alameda and observe and discuss with you the Alameda Medical Test. It is my belief that this is a significant development in military supply management. It is the first time there has been a real attempt at supply distribution by unification of the Army, the Navy, and the Air Force. We hope that the test has worked well; the Congress hopes it has worked well, and most of the people of the United States, who are sweating under a huge debt and enormous budget, hope that it has worked well.

This subcommittee feels a responsibility for getting this test started, and we want to thank Secretary Lovett for his cooperation in issuing his directive of July 17, 1951, which launched the program. We want to thank all the other people in the Munitions Board and the services who have cooperated in this important test.

Gentlemen, it is not an easy job for Members of Congress to leave their homes, or leave Washington, to travel around the world and over the country to examine the expenditures of our armed services. It is not a pleasant job.

Every member of this subcommittee and each Member of Congress has the highest regard for every man who wears the uniform, from the private to the top general, but the day has arrived when we have reached a limit on taxing the people, and something has to be done to bring about better management in the armed services and in our economy, so that we will not have to raise more taxes to carry this part of the Government, which takes now 80 percent out of every tax dollar. This subcommittee conclusively believes, after its observations made on a trip around the world to observe our military establishments, that it can be done.

We have seen waste in every quarter of the world and here at home. We realize the magnitude of the job which you have to do, but private business organizations could not exist and carry on under similar conditions. There is entirely too much lost motion; there is entirely too much personnel in the operation, both commissioned and noncommissioned, and civilians. The subcommittee believes with the cooperation of you gentlemen, who are just as interested in economy and your tax problems as the average citizen; and we believe, and other Members of Congress believe, that you want to do something about it and that it can be done.

We simply cannot understand why two or three different services have to carry on the supplying of common items, in which there is no difference whatsoever with respect to the three different services, or the four different services. A man in uniform uses the same aspirin and the same other medicine that the civilian uses. This subcommittee believes that there are too many stocks carried; and as I said before, from men in industry who are familiar with this problem and from good sound testimony, we have come to the conclusion that the job can be done more economically.

There is one other thing that I would like to call to the attention of you gentlemen here (H. Rept. 2330). This subcommittee has issued a report on our studies so far, and during the course of our visit here I would certainly like to leave a copy of this with everyone that has an administrative position in the medical field here.

Colonel Asbill, you may proceed with your presentation.

STATEMENT OF LT. COL. S. G. ASBILL, COMMANDING OFFICER, ALAMEDA MEDICAL SUPPLY DEPOT; ACCOMPANIED BY COMMANDER W. E. BYRNE, SUPPLY CORPS, NAVY LIAISON, ALAMEDA MEDICAL SUPPLY DEPOT

Lieutenant Colonel ASBILL. First, I would like to introduce the staff here, or the group at the table. Major J. E. Dull, on that end [indicating] of the table, is the Chief of the Air Force Liaison Section; Commander W. E. Byrne, Chief, Navy Liaison Section, in addition to being officer in charge, Medical and Dental Supply Depot, Naval Supply Center, Oakland; Lt. Col. J. J. Strnad, Chief of the Army Liaison group and I am the commanding officer of this depot.

First, I would like to explain, on this brochure here [exhibit 1] for the matter of the record, that Commander Byrne, where his name appears here on the front page—I put these four names down so that you people would be familiar with the group that sits at the table, but that doesn't mean that the group as a whole prepared this brochure; Commander Byrne did not enter into the preparation of this brochure. I thought I had better set that straight to begin with.

I would like to give you a brief report on the general information here—a little historical background—and I will deviate from the brochure. I don't want to bore you with the figures which are in here, as they can be read at your own leisure. I know your time is quite limited, and we will hurry over this as fast as possible.

On November 21, 1951, the Alameda Medical Depot at Alameda, Calif., assumed the distribution mission of the San Francisco Medical Depot, which had been a source of medical supplies for the Army since September 25, 1861, in the bay area. It was one of our oldest medical-supply points in the United States, dating back to 1861.

We have approximately 100 acres in this post. It is comprised of five warehouses; and, if you gentlemen will reach in the back of your brochure, you will see a site plan, and I believe I can explain it a little better. The first checkerboard warehouse that you see at the top, Congressman Bonner, is the Quartermaster Market Center; they are a tenant here in this post. It supplies all the big daily food requirements for this area and the Far East, both for Army, Navy, and Air Force.

The next building is our large warehouse, run by the Alameda Medical Depot. The next checkerboard warehouse, across from the administration building, is now occupied by the California National Guard. The two light-shaded warehouses are run by the Alameda Medical Depot. So much for the broad plan.

Organization: The Alameda Medical Depot is a medical installation, called a class II medical installation, directly under the Surgeon General, Department of the Army. However, I have not only the responsibility here as commanding officer of the Alameda Medical Depot but also as a post commander. I have tenants, which include the Quartermaster Market Center, California National Guard, and within approximately 3 months the Army Dental Laboratory will be here as a tenant.

Under that responsibility, there are certain duties I have to discharge, not only to the medical depot but also to provide to these three tenants services such as fire protection, security, certain close functions, engineering facilities, and so forth, and so on.

The permanent organization of the Alameda Medical Depot is set forth in chart No. 1. This, by the way, outside of these two blocks [indicating] is identical with all of our medical depots and the one you are probably familiar with—the one on which you were briefed in St. Louis. We are set up identically, organizationally, as the St. Louis Medical Depot and as our Louisville Medical Depot. However, you will note up there [indicating] the Army Review and Liaison Section, the Air Force Review and Liaison Section, and the Naval Review and Liaison Unit, headed by these two gentlemen here [indicating], and Colonel Strnad heads up the Stock Control Division, which comprises the Army Liaison Unit, which approves all requisitions. Those are the only two blocks different from the St. Louis operation.

We have an executive officer, special staff, and a management office; and then we get down to the line and mission elements, we have the Stock Control Division, the Storage Division, the Depot Maintenance Shop Division, Optical Division, and the Purchasing, which is identical, only on a smaller scale to that which you saw at St. Louis. That is the main background of this depot.

The primary mission of the depot is to receive and store all classes of medical supplies, except items which are keyed to another depot. I believe it was explained at St. Louis that they were our key depot in our system. They have certain types of items there that are high-dollar value, which we have a low level of. So, rather than scatter those items out and issue them out of four depots, we put them in one depot, for economy, more or less.

Mr. BROWNSON. Before the colonel leaves that personnel chart, there is one brief question which I would like to ask. In your division of personnel here, are you integrated—for instance, you are the depot commander; is your executive officer also Army, Navy, or Air Force?

Lieutenant Colonel ASBILL. No, sir; he is Army. We have an Air Force officer heading the Liaison Section, and the Navy group in the Navy Review heads the Navy Liaison Section. However, I have Air Force officers integrated in the depot by the JAFA agreement. In other words, I have an Air Force officer that is in charge of my "loose issue room"; one in charge of receiving all medical supplies here; I have my adjutant, who is an Air Force officer; and there are two Air Force officers on the liaison team, who go out and visit Army and Air Force stations to scrutinize their level of supplies.

Mr. BROWNSON. You have the Navy integrated into that, too, then?

Lieutenant Colonel ASBILL. No, sir, only insofar as their liaison team is concerned.

Commander BYRNE. We have two officers.

Mr. BROWNSON. It is a joint responsibility, with the Army and Air Force alternating these key positions, but the Navy comes in only in a liaison capacity; is that right?

Lieutenant Colonel ASBILL. Yes, sir; that is the way it was set up by the Munitions at that time—during this test.

Mr. BROWNSON. Thank you very much.

Lieutenant Colonel ASBILL. The primary mission of the Alameda Medical Depot—this is a repeat—supplies all classes of medical supplies, except the key items, to the States of Washington, Montana, Oregon, Idaho, California, Nevada, Utah, and Arizona, and for shipment overseas through the San Francisco and Seattle Ports of Embarkation; that includes the shaded area [indicating]; the United

States Army, Pacific; United States Army, Alaska; United States Air Force, Alaska; the Philippine-Ryukyus Command, and the Far East Command, which includes the security forces in Japan and the combat forces in Korea are all supplied out of this depot. Since the 1st of March the Navy forces have been supplied for medical supplies out of this depot, comprising the same area; the naval shore stations within the boundary of, you might say, west of the Rocky Mountains and all the ships at sea and their various and sundry bases in the Pacific waters.

FABRICATING OPTICAL GLASSES (see p. 122)

We have two other missions here besides the supply mission, and one is the fabrication of optical glasses—spectacles—for the Army and Air Force bases here in the United States. Occasionally, we do get a prescription back from, perhaps, Alaska, when they are unable to fabricate it and we do it for them here. Sometimes one will come back from Honolulu. However, we take care of approximately 6,000 a month here for the posts, camps, and stations of the Army and Air Force. The Navy is not included in that; that was left outside of the test.

Mr. CURTIS. I would like to clear up a point in my own mind. I thought the St. Louis area was furnishing those optical items.

Lieutenant Colonel ASBILL. All except the Sixth Army Area. Up until we started our optical shop up, I believe the 1st of February——

Mr. CURTIS (interposing). Yours is a new establishment?

Lieutenant Colonel ASBILL. It is the newest establishment; we decided we shouldn't keep all our eggs in one basket and that perhaps we had better open up another shop to get it started and to take care of the Sixth Army Area.

Mr. CURTIS. That was in February of this year?

Lieutenant Colonel ASBILL. Yes, sir.

Mr. CURTIS. Before that, though, you had supplied the Sixth Army Area out of St. Louis then?

Lieutenant Colonel ASBILL. Yes, sir.

Mr. CURTIS. Had the supply been adequate? Was there anything wrong with it?

Lieutenant Colonel ASBILL. Yes; it had been adequate, but there was quite a lead-time period which ran from 7 to 12 and 14 days out here on the west coast in the supply of spectacles on account of transportation problems. We had a problem out here, it being a debarkation point; and, as you know, many enlisted men showed up at the last minute and discovered they didn't have spectacles and we had to rush spectacles out to them. That was one of the reasons that prompted the opening of this shop. I happened to be in the Surgeon General's office, advising the Chief of Supply at that time.

Mr. CURTIS. The Korean war produced and contributed to that change?

Lieutenant Colonel ASBILL. Yes, sir; it did. That is exactly what happened.

Mr. CURTIS. As far as you know, there is no contemplated plan for setting up other optical centers in the next year or so?

Lieutenant Colonel ASBILL. No, sir. We have in our plan for the entire mobilization to set up on the east coast, one in St. Louis and one

here, and Korea happened to come up unexpectedly and forced our hand.

Mr. BROWNSON. A little aside from that exact point; but, in the preparation of troops for oversea movement, don't they have a policy like in World War II where the unit commander has a responsibility for moving his troops to the point of embarkation completely equipped?

Lieutenant Colonel ASBILL. Yes, sir, completely equipped.

Mr. BROWNSON. They are supposed to be completely equipped.

Lieutenant Colonel ASBILL. Yes, sir, but you would be surprised how many lose their glasses or break their glasses and they just don't show up at the port with that extra pair of glasses. It is really surprising. It is much better now, but in the early days of Korea we had to fly these spectacles back and forth from St. Louis to these ports. They would take back two or three hundred pairs, and St. Louis would have to do them within approximately 48 to 72 hours, because the boat was going and the glasses would have to be flown back.

Mr. BROWNSON. What is the responsibility imposed on the men in the event they do lose or break their glasses?

Lieutenant Colonel ASBILL. There is no responsibility unless it is done maliciously, and then there are disciplinary measures that can be taken.

Mr. BROWNSON. I believe it was at Dayton where we found that they were having very good success in their issuance of shoes and boots by putting individual responsibility on the men. If they didn't return their old pair, there was a financial obligation placed upon them.

Lieutenant Colonel ASBILL. There have been several instances, I know, in spectacles where they would want a zylonite frame and we would give them a steel frame, because the regulations called for one pair with steel frames; and the soldier went out and broke the frame because he didn't want the steel one, and disciplinary actions were taken.

Mr. BROWNSON. There is nothing set up on a financial basis as far as supply discipline?

Lieutenant Colonel ASBILL. They had to pay for them.

Mr. BROWNSON. I'm not talking about a military court action, or anything of that nature; I am talking purely about a financial arrangement in issuance of any goods that belonged to the Army to an individual person and they are responsible for them in a financial way. I am not talking about discipline from the standpoint of disciplinary action; I am talking about financial responsibility. I didn't want to dwell on this.

Lieutenant Colonel ASBILL. He has it on his individual record the same as a pair of shoes. He is responsible for his glasses. That is one item that is issued to him.

ARMY AND NAVY EACH MANUFACTURES OPTICAL GLASSES AT OAKLAND

Mr. BONNER. Let me ask you a question. Do you have a spectacle-manufacturing establishment here at this test base?

Lieutenant Colonel ASBILL. Yes, sir.

Mr. BONNER. And there is also one over at this naval supply base?

Lieutenant Colonel ASBILL. Yes, sir.

Mr. BONNER. And it has been running for some time?

Lieutenant Colonel ASBILL. Quite a long time.

Mr. BONNER. And you set up one here in March?

Lieutenant Colonel ASBILL. Yes, sir.

Mr. BONNER. Was there any collaboration at that time as to moving that naval establishment over here at this test base?

Lieutenant Colonel ASBILL. It was brought up at the time of the test, Congressman, and I don't know whether the Board representative here can say why it was left out; I don't know. At that time we felt here that they could move it, provided they could provide some personnel. We had the necessary equipment, but it was left outside the test. It was not in the basic directive for the test.

Mr. BONNER. The one you have established here supplied the Army and Air Force; you could also supply the Navy with your facilities here at this test base?

Lieutenant Colonel ASBILL. Yes, sir.

Mr. BONNER. It was just a case of persistency where that actually was left over there and not moved over here?

Lieutenant Colonel ASBILL. That I couldn't say.

Mr. BONNER. That is what goes on all through this—just holding onto something and there was created a duplication here where you had an established unit over there that could have been moved into this test. That shows the obstinancy in trying to keep a test like this from being successful.

COST OF OPTICAL EQUIPMENT

Mr. BROWNSON. In that connection, I think it might be interesting to insert in the record at this point the approximate cost of setting up one of these optical grinding shops, just from the standpoint of the outlay of the machinery and equipment. I would like to have a comparative cost of the one you set up here and the cost of the one which the Navy has already been operating to find out how much duplication of investment there was at the start, not even considering the duplication of personnel and facilities and utilities and everything else which that would entail.

Mr. BONNER. Colonel, will you supply that for the record?

Lieutenant Colonel ASBILL. Yes, sir.

(NOTE.—Navy advises that second-hand equipment from overseas operations used in the Navy Oakland shop, cost value not available but estimated replacement cost would be $10,000 to $15,000.)

Mr. BROWNSON. Do you happen to know offhand just roughly what it cost to set up?

Lieutenant Colonel ASBILL. Roughly, around $15,000; that is, equipment alone; it was equipment which we had. We did not go out and buy it; it was equipment which we had put in for early in Korea as a stand-by status for St. Louis—to implement St. Louis. However, we felt at that time that St. Louis was so large we had better not implement that place to make it any larger, because if something should happen there, we would really be out on a limb. It was equipment which cost around $15,000.

Mr. BROWNSON. When you took the equipment out of stand-by status, was some more equipment purchased for stand-by status?

Lieutenant Colonel ASBILL. No, sir; that is all of it right there. That was purchased over 3 years ago. It was contracted for—let's put it that way.

Mr. BROWNSON. And there was no other equipment contracted for to replace it?

Lieutenant Colonel ASBILL. No, sir; they made no replacement on that; I personally know that.

Mr. BROWNSON. Of course, it still comprised an expenditure in the over all?

Lieutenant Colonel ASBILL. It was.

Mr. BROWNSON. You were talking about the St. Louis operating getting too large, we saw the St. Louis optical operation and it didn't impress me as being particularly large. (See p. 123 et seq.)

Lieutenant Colonel ASBILL. Well, it's about the largest in the world now. It is the largest combined optical shop in the world.

Mr. CURTIS. How many employees would you say are there?

Lieutenant Colonel ASBILL. I have no idea how many they have now.

Mr. CURTIS. You say it is the largest in the world, but it still would not necessarily be what you would call a large operation from the standpoint of personnel and the overhead required to run an establishment——

Lieutenant Colonel ASBILL. It is large for an optical shop.

Mr. CURTIS. It may be, and that's right, but it isn't a large operation from the standpoint of number of personnel?

Lieutenant Colonel ASBILL. No.

Mr. CURTIS. And the overhead that goes with running what you would call a large establishment?

Lieutenant Colonel ASBILL. That's right; the personnel is small.

Mr. CURTIS. Incidentally, what is your personnel here on that particular operation?

Lieutenant Colonel ASBILL. I think I have five civilians and seven enlisted men, I believe. We have a unit here that is in training—the Five Hundred and Fourth Optical Unit—which is subject to be called out.

Mr. CURTIS. Do you train and run a school here the same as in St. Louis?

Lieutenant Colonel ASBILL. No, sir; we do not run a school. These people went to school in St. Louis and they are only here for training during the holding period before they go overseas. They train and produce at the same time.

Mr. CURTIS. Because they do have a school in St. Louis?

Lieutenant Colonel ASBILL. Yes, sir. We do not train here, but we feel that they might as well be making spectacles as well as sitting around.

Mr. BROWNSON. How does your capacity compare with St. Louis?

Lieutenant Colonel ASBILL. We are much smaller. Our capacity is about—we feel we can go up to around roughly about 7,000 pair a month with what personnel we have. In fact, we have gotten an increase of 1,600 from some of the other stations in the St. Louis area to put us up to our maximum.

Mr. CURTIS. How many will St. Louis be able to produce a month?

Lieutenant Colonel ASBILL. I believe General Hays has that figure.

Mr. BONNER. They had that at the hearing in St. Louis.

Mr. BROWNSON. I just wondered if anyone knew, approximately, for the purpose of comparison.

Lieutenant Colonel ASBILL. I would say at least double what we are doing; at least 14,000 or 15,000 a month.

General HAYES. They are doing 30,000 a month.

Mr. BROWNSON. How many does the Navy do in their shop here a month?

Commander BYRNE. We are turning out approximately 2,000 pair per month and it has run as high as 3,000. The capacity is greater than 3,000.

DUPLICATION IN OPTICAL SHOP

Mr. BROWNSON. In other words, the Navy plant is sitting over here, not running at full capacity, at the time another one has to be set up in this same area to service the Army and Air Force?

(No reply.)

Mrs. HARDEN. You furnished in your table the figures on the Army personnel; could you give us the figures of the Navy?

Lieutenant Colonel ASBILL. Yes, ma'am; the Navy should be in there.

Mrs. HARDEN. That is in the Optical Division?

Lieutenant Colonel ASBILL. Yes, ma'am. We have none in the Optical Division; no Navy personnel.

Mrs. HARDEN. Could Commander Byrne supply those figures?

Commander BYRNE. We have a complement of 11 enlisted men in our optical shop at the moment; there are 8 men working in the shop. The number of men on board would vary with the work load.

Mrs. HARDEN. How many officers have you?

Commander BYRNE. There is one officer with the rank of ensign.

Mrs. HARDEN. Thank you.

Mr. BROWNSON. Are the glasses you produce of the same character as the type that the Army and Air Force use? the zylonite and metal frames?

Commander BYRNE. Yes, sir; they are, I believe.

Mr. BROWNSON. There are no special requirements for glasses produced for Navy personnel that differ for glasses for Army or Air Force personnel?

Lieutenant Colonel ASBILL. There is not that I know of.

Mr. BROWNSON. Do you buy your stocks together? your frames? You have the two shops right here?

Lieutenant Colonel ASBILL. We draw our supplies from St. Louis and they draw theirs from the depot here, or on their depot, let's put it that way, but the stocks are procured in the Joint Army-Navy Purchasing Agency.

Mr. BROWNSON. In St. Louis they told us the St. Louis operation buys their own; that they are not bought out of the Brooklyn set-up, and apparently the naval materials are bought from the Brooklyn Joint Army-Navy Purchasing Agency.

Commander BYRNE. We have certain lenses and frames which are carried in stock. In addition to that we make local purchases of special lenses, which must be ground in the optical shop. There are two operations involved in turning out spectacles. One only involves the assembly of the lenses after fitting them to the people and then

to the frame; people who wear bifocals require that the lenses be ground in the optical shop prior to assembly.

Mr. BONNER. There is no difference in the steel of your glasses and the glasses produced in this optical shop; is there?

Commander BYRNE. No, sir.

Mr. CURTIS. Commander, what rates do these enlisted men who work in your optical shop have? Is it a special rating, or what branch are they in?

Commander BYRNE. All of the men performing the work are enlisted men. They are Hospital Corps men with special qualifications in optical work.

Mr. CURTIS. But there is no special rating for men who work there?

Commander BYRNE. There is no special rating.

Mr. CURTIS. In other words, is there a turn-over of that particular group? Do those men then go out into the fleet?

Commander BYRNE. Yes, sir; they do.

Mr. CURTIS. There is a need for that specialty out in the fleet; is that correct?

Commander BYRNE. Not within the fleet afloat. At overseas bases spectacles are assembled from standard lenses. There is no grinding of lenses at any other point other than at Oakland and Edgewater, N. J., for the Navy.

Mr. CURTIS. What I am getting to, what is the reason, or is there a reason, for training men in uniform to grind lenses or to do the work that is being done here ashore? Is there any need for that specialty?

Commander BYRNE. There is no need afloat or overseas to grind lenses, but enlisted men with special qualifications in optical work are employed at other naval activities and afloat for edging and mounting spectacles.

Mr. CURTIS. That is what I am getting at. In other words, civilians could be employed in that work without endangering in any way the purpose you are trying to accomplish?

Commander BYRNE. Yes, sir; on the grinding of lenses.

Mr. CURTIS. I would like to direct the same question to Colonel Asbill. Wouldn't that be true in the Army?

Lieutenant Colonel ASBILL. No, sir; that wouldn't be true.

Mr. CURTIS. The Army sends special mobile units overseas?

Lieutenant Colonel ASBILL. Yes, sir.

Mr. CURTIS. You actually do grind lenses overseas?

OVERSEAS OPTICAL SHOPS

Lieutenant Colonel ASBILL. Yes, sir; we have seven shops. There are five shops in Korea and two in Japan, one in Okinawa, one in the Philippines, one in Honolulu, and one in Alaska.

Mr. CURTIS. Colonel, what do you find is the advantage of that? Is there a particular advantage?

Lieutenant Colonel ASBILL. Well, the first advantage, we can make them so much cheaper—about half as cheap as the civilian shops.

Mr. CURTIS. By doing them in these mobile units?

Lieutenant Colonel ASBILL. Yes, sir; over there. It is just like the New Guinea function; there is no place to get them.

Mr. BROWNSON. In Japan? Couldn't you procure them over there?

Lieutenant Colonel ASBILL. No, sir; we can't procure over there—we couldn't procure over there in 1946 and 1947. I don't know how it is now, but I had an optical shop over there then and I had to make my own glasses. We had quite a bit of trouble. Maybe it is different today; I don't know, but I do know there is nothing up in Korea and we have five or six units in Korea and one or two in Japan.

Mr. BROWNSON. With the number of Japanese wearing glasses and at the rate they are turning out other things, it would seem they would certainly be able to turn out spectacles in Japan.

Lieutenant Colonel ASBILL. I couldn't tell you, Congressman. I know we couldn't get them in 1946 and 1947. I happened to be there. I was a medical supply officer and tried to contract for them. Their technicians were scattered all over and they were having quite a time getting their technicians back together. There were a lot of production problems, I suppose, that they had in those early days after the war.

Mr. BONNER. Where do you train your technicians? Do you have an optical school?

Lieutenant Colonel ASBILL. I believe—someone check me on this—they are trained in St. Louis.

Mr. BONNER. That is just what I want to find out. You send them down to St. Louis and train them under the Army training program?

Lieutenant Colonel ASBILL. I am not sure.

Mr. BONNER. I understood at St. Louis that they trained a good number.

Mr. CURTIS. I talked to a couple of enlisted men this morning and both of them said they were trained at St. Louis.

Lieutenant Colonel ASBILL. Yes, sir.

Mr. BONNER. That is what I wanted to get to. You send them down and train them in an Army training program and then you come back and train them in a separate unit.

I think it is clear that one optical shop could supply all the services.

OBSERVATIONS ON MEDICAL TEST

Lieutenant Colonel ASBILL. I have some general observations on the medical supply test that I would like to make at this time, which will finish up my part of the presentation here. A detailed presentation on the test operation will be made by a member of my staff. However, I would like to present you gentlemen with a few observations that I have made here during this test, or prior to this test and during the test.

This depot is a relatively new activity; movement of stock, personnell, and equipment from the San Francisco Medical Depot was not completed until December of 1951. The suport of the Army and Air Force activities based upon this depot was continued without interrution during the move, which involved the transfer of approximately 10,000 tons of medical matériel alone.

On December 29th the Department of Defense directive, which officially ordered the test at the Alameda Medical Depot, was signed by the Chairman of the Munitions Board.[2] This was forwarded to

[2] Policy and planning documents, medical and dental group, supply systems study project, may be found in the appendix of the hearings held February 22, 27, 28, March 5 and 11, 1952, by the Intergovernmental Relations Subcommittee of the House Committee on Expenditures in the Executive Departments, on Federal Supply Management (Textiles and Clothing) (ASPR Conference).

us down here at this level on the 11th of January 1952 by the Surgeon General, with instructions to begin full-scale operations on the 15th of February—just 1 month and 4 days. This date was subsequently extended to March 1, 1952, approximately 1½ months away, in order to permit the movement of stocks from the Oakland Naval Medical Depot, which is the reason it was extended from the 15th of February to the 1st of March.

While the performance of this depot during all this period has come up to the expectations of higher authority, I believe it could have been better had a reasonable shake-down period been allowed this depot after this major move of the Army stocks over here and assuming our new mission prior to taking on the large mission of the Navy. That is my personal observation. Therefore, we had to assume this large additional mission, special reporting, and so forth, without the necessary shake-down period, although the performance of the depot was very high even in spite of this.

The selection of this depot was unquestionably justified, however, since it was desired that the test be conducted in an area where Navy population could be of sufficient size to produce a test of real significance, and in supply of an active oversea theater. Neither St. Louis, Atlanta, or Schenectady qualify under that criteria.

DELAY IN STARTING TEST

Mr. BONNER. Mr. Lovett told us on July 19, 1951, that the test would get underway immediately and, according to your testimony it hadn't gotten under way until March 1952?

Lieutenant Colonel ASBILL. That's right.

Mr. BONNER. What was the reason for that?

Lieutenant Colonel ASBILL. Well, sir, the first time I heard about it was in November 1951; that is the first inkling I had of it. The group came out here and started to work on it. We assisted in the preparations—writing up the directive out here. They went back the latter part of November, I believe, thinking it would kind of die on the vine.

SUBCOMMITTEE CONTINUED PRESSURE FOR THE TEST

Mr. BONNER. The subcommittee didn't let it die on the vine. This subcommittee has been very much interested in this subject and the reports will show we didn't want it to die on the vine.

Lieutenant Colonel ASBILL. Well, I don't know; it was quite slow until we received our directive in January. I don't know what took place in the interim, but it was November when we first knew about it. I would like to present Colonel Strnad, Chief of the Army Liaison group, who will present the test operations.

STATEMENT OF LT. COL. J. J. STRNAD, MEDICAL SERVICE CORPS, CHIEF, ARMY LIAISON DIVISION

Lieutenant Colonel STRNAD. Mr. Chairman, and ladies and gentlemen, I am Colonel Strnad, Medical Service Corps, Chief of the Army Liaison group here at the depot, and also Chief of the Stock Control Division of the depot.

We are going to attempt to present for your information today all of the test operations conducted here at the Alameda Medical Depot, which we feel you will be very much interested in, as well as some aspects of this installation with respect to the medical supply service as a whole.

There is a great deal of detailed statistics in the brochure and I do not intend to go into all of them. However, there are certain very important operational procedures, which I know you will be interested in and which I will touch upon in this presentation. If there are any areas that I cover, or that perhaps you desire to have further information, we will be very happy to go into further details as presented in the brochure.

NAVY FURNISHED STOCK FOR ITS USE

With the receipt of directives officially ordering the test at the Alameda Medical Depot, movement of Navy stock from the Oakland Naval Medical Supply Depot commenced approximately January 15, 1952. It had previously been agreed the stock would be moved by Government vehicles palletized to expedite delivery into storage, here at Alameda. This was done to avoid multiple locations of stock at the depot. This transfer involved approximately 5,000 items, weighing 1204 short tons, representing an estimated 3-month issue demand of the Navy. This movement was accomplished without too much difficulty and, at the same time, we conducted some advance training of Navy personnel so that on the 1st of March we were ready to receive the first requisition from Navy activities.

ARMY ORGANIZATION RELATIVELY UNCHANGED IN SUPPORTING NAVY

The organization of the Alameda Medical Depot for this test has been relatively unchanged by virtue of the support of the Navy mission. A Navy liaison office, as has been explained previously, was established to provide control of issue to Navy activities and the control of their stocks at this depot.

Requisitions and shipping documents have been processed by the Stock Control, Storage, and Transportation Divisions under existing Army procedures, right down the line, modified only slightly where necessary to accomplish support of the fleet.

Now, this chart shows the requisition and shipping document flow under the test. The requisitions come in from Army, Navy, and Air Force activities to the headquarters and are channeled immediately to the respective liaison offices; Army requisitions to my office; Air Force to Air Force liaison and Navy to Navy liaison. These liaison sections determine that the requisitions are in order; that they are not excessive; that they have been properly justified. If the requisitions are considered in order, they are forwarded immediately to the Stock Control Division for processing. If there is something wrong with the requisition, it is returned to the requisitioner over the signature of the appropriate liaison officer.

At this point, it should be noted that the large operational functions of the depot are stock control, storage, transportation control and shipping. These are unified functions, operating with the same procedure. That change is not completely unified, except for the liaison

functions, which is intended to permit the departments to control their issues from their stocks.

FIRST COME FIRST SERVED IN TEST

Within those unified functions of the depot of stock control, storage, transportation and shipping, the priority of handling requisitions and shipping documents is based strictly upon the urgency of need. We don't differentiate between Army, Navy, or Air Force. It is the case of the man who needs it most getting his shipment through first and out the front door.

STOCK CONTROL AND ACCOUNTING

I would like to go now into some detail in regard to actual stock control and accounting at the depot, because I feel those operations are significant in the success which we feel we have had out here under the test operations.

TRI-SERVICE STOCK OWNERSHIP AND CONTROL

The Department of Defense directive pertaining to the Alameda medical supply test stipulated that plans for the test would observe the principle of tri-service stock ownership and issue control.[3] A clear understanding of stock accounting and control under the test necessitates that some time be devoted to the explanation of this principle and the reasons for its observance.

ARMY ALREADY SUPPLIED AIR FORCE

At the time that the test was originally conceived a year ago, the Army was already providing medical supply support to the Air Force from the Army medical depots on a common service basis from its Army medical depots, based upon joint agreements. Air Force personnel participated in the operation of these depots; the command control of the depots was vested in the Surgeon General of the Army.

In order to obtain maximum use of warehouse space, the Army and Air Force stock in these depots was not segregated by service at all; it was all stocked together. It was, however, accounted for separately in bookkeeping accounts. We have stock account 11 for the major issue stocks of the Army; stock account 13 for the stocks of the Air Force. Since this mode of operation was considered the only way to operate a triservice depot successfully and was the only way to operate a unified depot of this type, it was determined to include the Navy into the operation on the same basis and to set up an account for the Navy, which was stock account 14.

Now, this chart [indicating] is intended to portray in a pictoral manner the way this unified supply operation has worked, together with this plan of triservice stock ownership and control. Incidentally, there are copies of each one of these charts in the brochure, but in a smaller size, and any of you who cannot see the details can follow the one here on the board.

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[3] See testimony of Assistant Secretary of Defense McNeil on this point in Federal Supply Management (Air Force Supply—Munitions Board), p. 147 et seq.

JOINT CHIEFS OF STAFF DIRECTS DEPARTMENT TO COMPUTE REQUIREMENTS

Based upon directives from the Joint Chiefs of Staff, the departments developed their own operational plans and computed their own quantitative requirements for each item.

These item requirements are then forwarded to a single procurement agency. In case of medical, for illustration, medical procurement agency at Brooklyn. At this point unified supply operations begin. These individual service requirements are combined into single contracts, as you know, and placed with industry on a bid basis. Inasmuch as the total military requirements are included on these contracts, it results in lower production costs and more attractive prices to the Government.[4]

JOINT PROCUREMENT OF MEDICAL SUPPLIES AT BROOKLYN

Then, consolidated deliveries are made from contractors on these contracts into our unified depots where the stock is stored, again on a nonsegregated basis—all together in the same stack. We do, however, on paper, check up the stock either in the Army, Air Force, or Navy, depending upon the service which originally developed the planning program. Then, of course, as requisitions come in, these liaison officers at the depot assure that the requisitions are in accord with the departmental policies and that these items are used for the purpose which they were originally intended. As you can see, under this type of operation, the large supply functions of procurement, production, storage, distribution, and maintenance are unified and offer the advantages and economies inherent in such unification.

The triservice functions which are retained are planning, requirements determination, and issue control. Now, despite the fact that only a relatively small number of people are engaged in these individual service functions—that is, planning, requirements, and issue control—the Congress may hold each individual service primarily responsible for its own supply program and still achieve the benefits of unified supply operations.

This is the general picture of the way we have operated under the test, with one minor exception. Due to the fact that it was merely a test, the stocks we have received from the Navy have been turned over to us from the Oakland depot. We haven't received anything directly from Oakland as far as the great bulk of our stock is concerned. We have, of course, procured some stock for the Navy, locally, but since we do receive on these contracts of the agency for the Army and Air Force, the receipt of Navy stock would pose no particular difficulty and consequently was not significant in the test itself.

Now, there are people who feel that this operating stock accounting for the Army, Air Force, and Navy has an undesirable aspect in that the stock of one service is not available for use of another service. I am going to go into considerable detail on the cross-servicing later on in the presentation, but at this point I would like to state we have done a great deal of cross-servicing at this depot during the test and we have been able to take full advantage of the assets of services to meet the needs of the requisition service.

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[4] As to validity of this statement, see p. 196, Field Conferences on Federal Supply Management.

In connection with the pooling of stock in one account I would like to point out that that procedure—that mode of operation—has already been tested by the Army and Air Force medical services. At the start of the Korean war the Army and Air Force jointly owned all stocks in Army medical depots. Each had a dollar equity in those stocks, but neither had any individual item assets that they could say were theirs and requisitions were filled on a first-come, first-served basis. It was quickly discovered as the Korean war started and the medical program of the two services expanded to meet the requirements of that war that the first-come, first-served procedure was unfair and logistically unsound. It was almost impossible at the depot level to allocate critical assets between the two services, because there was no way of weighing the relative need of the two individual services. Now, the separate accounting of stock in these bookkeeping accounts was found to be an easy, inexpensive, and satisfactory solution to the problem.

It is natural, therefore, that the planning for this test took cognizance of that experience and stipulated that plans for the test would provide for this separate stock ownership and issue control.

While it is not intended that this depot evaluate the success or effectiveness of medical supply support under the test—this task has been delegated to the Munitions Board by the Secretary of Defense—it is believed that certain performance statistics will be of interest to the committee, since they will give a fairly good picture of the effectiveness of the supply support.

At the direction of the Munitions Board questionnaires have been forwarded to practically all activities supplied by this depot during the test. They are not in your brochure and I would like to have them passed out.

(The questionnaire referred to is as follows:)

Reports Control Symbol
DD-MB(OT)-563

MUNITIONS BOARD MEDICINE SUPPLY SUPPORT TESTS, ALAMEDA, CALIF.

QUESTIONNAIRE

The purpose of this questionnaire is to assist in the evaluation of the effectiveness of medical-supply support furnished by the Alameda Medical Depot for Army, Navy, and Air Force installations during the test period March 1 to August 31, 1952. Use of a questionnaire was provided for in the approved cost and effectiveness measurement plan for the Munitions Board medical-supply support test.

Major deficiencies in supply support should have been reported through proper channels at the time they were observed in accordance with departmental instructions. Therefore, this questionnaire is meant to summarize instances where deficiencies occurred and to indicate the kind of supply support that was received.

1. Supply support was (check one)—

☐ Very good ☐ Adequate ☐ Not good

NOTE.—If the "not good" block is checked, each deficiency cited must be thoroughly substantiated with a complete description of the deficiency (a copy of a former report of the deficiency will suffice) and reference made to pertinent requisitions and dates.

_____
Signature.

_____
Activity.

They will be of interest to the subcommittee. I might say that these questionnaires were received about 2 weeks ago and forwarded immediately to the field. We have a deadline date to have them back by the 25th of August. Some have been returned already, and I would like at this time to go into that to a certain extent.

While all questionnaires have not as yet been returned, those that have been completed and returned reflect the following picture:

Out of 21 questionnaires completed by Army stations, 19 indicate supply support was very good; during the test 2 indicated "adequate," and "none" indicated "not good."

Out of 19 questionnaires completed by Air Force bases, 18 have indicated supply support rendered during the test was "very good," 1 "adequate," and none "not good."

Out of 81 questionnaires completed and returned to date by Navy activities, 43 have indicated supply support rendered during the test was "very good," 37 "adequate," and 1 "not good."

Mr. BONNER. Where did the one come from?

Lieutenant Colonel STRNAD. It came from a little recruiting station up in Denver, and his question was that he hadn't gotten his invoice early enough and he also felt he should be permitted to purchase small parts locally. Other than that, he said the supply support was very good. The policy of local procurement of small parts, the invoicing, is done in this particular locality. We feel, although he did indicate in the block "not good," he gave us a "very good" on everything else.

Mr. CURTIS. In your questionnaire you make the statement that major deficiencies in supply support should be reported through proper channels. Did you receive any reports?

FURTHER STATEMENT OF LT. COL. S. G. ASBILL, COMMANDING OFFICER, ALAMEDA MEDICAL SUPPLY DEPOT; ACCOMPANIED BY COMMANDER W. E. BYRNE, SUPPLY CORPS, NAVY LIAISON, ALAMEDA MEDICAL SUPPLY DEPOT

Lieutenant Colonel ASBILL. I believe there was one report received. No; we did not receive it. I believe it was received in the Bureau of Medicine and Surgery regarding a yellow fever serum shipment to, I think, San Diego. We had to make two shipments to San Diego. The first shipment, they would not permit the truck to go ahead of the line—it was a Railway Express truck—and we only put so much dry ice with it to haul it. It seems like they had a long line of trucks and he couldn't get in ahead and went back to town and tried to deliver it the next day. In the meantime the ice had melted—you have to keep it subfreezing—and they wouldn't accept it. The second shipment we had to make we made by Railway Express—by train—and finally, in desperation, the third shipment, we got a good reliable old trucker out here—ignored the Railway Express—and gave him a lot of dry ice to wrap around it and he delivered it the next morning.

Mr. CURTIS. In other words, Colonel, it was a detail that would occur in any supply system?

Lieutenant Colonel ASBILL. Yes, sir; it was a little bit beyond our control. We couldn't control the Railway Express; after all, that is a reputable organization.

Mr. CURTIS. All I wanted to establish in my own mind is to be sure, first of all, how many major deficiencies might have been reported, and you say only one.

Lieutenant Colonel ASBILL. That is all I know of, and that was beyond our control.

Mr. CURTIS. That instance is the type that could occur in any supply system and had nothing against the test that we were trying to conduct?

Lieutenant Colonel ASBILL. We have had some local incidents here where they called up and would say, "You shipped one type of forceps and we asked for another type; we will send these back, and will you please send us the right type" and we will send these back. It was caused by a mix-up in item selection. We have that; it is inherent in any depot system that you have those. It is just selecting the wrong item, but that was not considered by the user—our customer—as a major discrepancy, because they did not report it on the form. I would say we had 15 or 20 of those during the test; no, most of them we had prior to the test.

Mr. BROWNSON. Commander Byrne, this is a rough approximation of a rating "very good," "adequate," and "not good," and is bound to be rather rough in a test like this as a measurement, but I wonder as the naval liaison officer if you have any idea why the percentage of naval response under "very good" was so much less than it was under the response of the Army and Air Force?

Commander BYRNE. I don't think I am prepared to say why that was true. Perhaps it is more difficult to supply a naval activity, such as ships overseas, than it is to supply a hospital. There is a greater time lag for one thing, a greater chance of delay in receiving the material.

Mr. BROWNSON. Was there ever a rating conducted similar to this as to the Navy separate supply activity prior to your amalgamation in the Alameda experiment?

Commander BYRNE. I do not know of any.

Mr. BROWNSON. We don't know; all 81 might have thought it was only adequate before, but I thought it was unusual that the Army and Air Force ran about 90 percent and were extremely happy and the Navy runs about 50 percent "adequate" and developed the one complaint.

Commander BYRNE. Of course, there have only been, I believe it is 82 questionnaires returned from Navy activities; there are still outstanding over 500 replies and the percentage may well change.

Lieutenant Colonel STRNAD. It does represent a much higher percentage than the Army and Air Force. We supply a lot more smaller stocks in ships in the Navy and consequently——

Mr. CURTIS (interposing). Would the gentleman yield on that point? You stated maybe the problem of supplying ships was more difficult. As I understand it, you mainly supply to supply vessels; do you not?

Commander BYRNE. That is true.

Mr. CURTIS. And the ships in turn supply the other vessels?

Commander BYRNE. The shipment overseas to hospitals, floating barges, and supply vessels——

Mr. CURTIS (interposing). It isn't a matter of individual ships; they would in turn be dependent upon your supply vessels and barges, and so on?

Commander BYRNE. They are largely dependent on them. However, there are many vessels returning to continental ports who are supplied locally. All military sea transports, the vessels put in at continental ports frequently and are usually resupplied while in continental waters. The overseas distribution points don't carry as complete a line of medical stores as is carried at the depot here.

Mr. CURTIS. What I am really driving at, Commander, is it doesn't seem to me that there is anything inherently different in supplying vessels than there is in supplying the various Army units. I don't see why that should complicate anything as far as the supply service is concerned.

Commander BYRNE. Effecting delivery overseas is more difficult in view of the fact that naval vessels move around to the extent that they do; that is the only point I am making; that it is more difficult to effect delivery.

Mr. CURTIS. All I really wanted to establish in my own mind, or rather have you testify on, is there know-how that is acquired in the naval supply system that enables you to do a better job that wouldn't be available in this joint supply system? That is what I am getting at, and I don't think there would be, although I am interested to know whether my conclusion, in your judgment, is a fair one.

Commander BYRNE. Well, for one thing, the Navy stocks twice as many items, I believe, as the Army stocks at this depot. We have some 7,500 items in the catalog. Out of that number 6,280 are stocked at Oakland and I believe that the Army stocks 3,000; is that correct?

Lieutenant Colonel STRNAD. Yes, sir.

Mr. CURTIS. Is that based upon the fact that the Navy has more items in their catalog supply than the Army has?

Lieutenant Colonel ASBILL. I might clear that up. They have no more items over there than we have—store items—here. We have the same items over here outside of, I believe, X-ray machines, and so forth. That is heavy equipment and there is not much demand for that.

Mr. CURTIS. But taking the two supply systems together—for instance, the British catalog, medical catalog, had one-third the items that our catalog had as far as medical items were concerned, because we have for some reason or another had a lot more variety. Now is it that the Navy medical supply has more variety in items than the Army?

Lieutenant Colonel ASBILL. No, sir; we have—there is a list—I believe, perhaps, General Hayes has that—there are so many thousands of items that are JAN items.

Mr. CURTIS. Joint Army and Navy.

Lieutenant Colonel ASBILL. Yes, sir; JAN items in the catalog. There are roughly, some 100 items that are, I believe, Navy only; roughly 100 items or approximately that of Army only; and the same for the Air Force only.

Mr. BONNER. You mean in the Navy they need a certain kind of medicine that men in the Army do not need?

Lieutenant Colonel ASBILL. No, sir; there are certain types of kits that the Navy only uses—life-raft kits, for example. There are certain types of kits that only the Air Force have the need for—flying surgical kits, and so forth.

Mr. BONNER. There is nothing peculiar about that.

Lieutenant Colonel ASBILL. Oh, no, sir. I say we only stock them because the Air Forces uses them and we only stock them because the Navy uses them in a particular type operation. The Army has no need for it and the Air Force has no need for it.

NAVY STOCKS 6,280 ITEMS

Mr. BROWNSON. Commander Byrne, you have pointed out that the Navy used to stock here in the San Francisco area 6,280 items and that you were only able to draw on this Alameda experiment for 3,000 items. As I understood the Alameda experiment they were to stock all the items that the Navy sent over here for its own use; is that correct?

Commander BYRNE. That is correct. The Army would stock all the items that the Navy sent over. The point I was making was that there are many more different items sent to the Alameda depot than the Alameda depot had previously stocked.

Mr. BROWNSON. But during this experiment, just to clarify that point, the Alameda experiment did stock those 6,280 items here?

Commander BYRNE. No, sir; not quite that number; there were 5,111 items sent over to the Army to stock.

Mr. BROWNSON. But they did stock all the items that the Navy sent over for its own use, less the items which the colonel has described which are of very heavy tonnage and slow movement which were not included in the experiment?

Commander BYRNE. Yes, sir.

Mr. CURTIS. The net result of that, it would impose a little more burden on you as liaison for the Navy in conducting this test. Is that about the net result of that?

Commander BYRNE. I don't think there was any burden on the liaison unit. I think it was a burden on the Army to provide the additional storage space and to handle several thousand new items at this depot.

Mr. CURTIS. As far as any peculiarity that the Army might have experienced with these items, that know-how would be supplied by your liaison team from the Navy; is that correct?

Commander BYRNE. It would be; yes, sir.

Mr. CURTIS. So, it would impose a little more burden on you to establish this liaison, but once it was established, there was nothing inherently in that sense that would make this operation impractical. That is what I am driving at.

Commander BYRNE. I wouldn't say there was.

Mr. BONNER. For the record, I would like for you gentlemen to know that General Rawlings of the Air Force, AMC, Dayton, Ohio, highly complimented the present system of supply of medical items for the Air Force. Now the Air Force is on the coast and in the interior and all over the world. If they can be supplied adequately and satisfactorily, it is strange that the Navy, which only operates on water and doesn't get into other places that the Air Force operates, couldn't be satisfactorily supplied. Is it a point that the Navy is not being satisfactorily supplied?

Commander BYRNE. Well, sir, I am not prepared to evaluate the test at this time. I will say that the job of getting the material into the depot, storing it and getting it out has been accomplished, but all operating function have not been covered in this test.

Mr. BONNER. Now, in this questionnaire that was sent out, this questionnaire only deals with the present test. Now there is no contrast asked to be answered with previous supply tests?

Lieutenant Colonel ASBILL. I might say in case the questionnaire doesn't disclose that fact that the questionnaire was prepared by the Munitions Board and sent to the Alameda depot for distribution to the activities of the three services.

Mr. BONNER. Probably there should be a recommendation from here, then, that that be included.

Mr. BROWNSON. While you are still on that point, Mr. Chairman, I wonder if, besides asking the commander, you wouldn't like to discuss that question as to the Navy's satisfaction with the test with the admiral so he might express any reaction he has had through command channels.

STATEMENT OF REAR ADM. M. L. ROYAR, SUPPLY CORPS, UNITED STATES NAVY, CHIEF, BUREAU OF SUPPLIES AND ACCOUNTS, AND PAYMASTER GENERAL OF THE NAVY

Rear Admiral ROYAR. The only reaction that we have had to the experiment so far as I know are the answers to these questionnaires, and we are not prepared to evaluate it until we get in all of the replies and can make a further study as to the supply aspects other than the direct supply here.

In order to clarify this question that came up, there is a little difference in the supply activity of the Army and the Navy as far as medical supplies go. The Army prior to this test handled, it was said, about 3,000 items here on the coast; the rest were keyed to the interior. The Navy, because of the many ships that come in here, has to make immediate issues, and due to the difference in servicing carry over 5,000 items. So, that is the inherent difference between the two systems that have to be brought together for this test.

Mr. BONNER. That is just what we want. We want better ways to improve the test while it is going on.

Rear Admiral ROYAR. That's right. We had to put the two things together in order to get the test and we both had to learn from this test. The Army had to learn how to make the individual issue to the ships and we had to learn something about their system. During this test we are trying to find out exactly how we can do it and how we can accomplish it. I think I would be a little premature to say exactly, or make any recommendations as to the test itself until we have completed it and can study all of the reactions and the cost involved.

Mr. BROWNSON. Admiral Royar, it has been our experience with the military installations when anything goes wrong with supply that you ordinarily get a rather and sometimes comparatively violent reaction from the subordinate commanders whose supply has been interfered with.

NAVY HAS NO ADVERSE REPORTS ON TEST

Rear Admiral ROYAR. Yes, sir.

Mr. BROWNSON. Have there been any reactions in the later stages of this experiment which would lead you to believe that this supply system is not satisfactorily taking care of your subordinate services aside from this?

Rear Admiral ROYAR. So far as I know, we have had no reports against it.

Mr. BROWNSON. Thank you very much.

Mr. BONNER. If there is any question about the issues from this depot, is it because the Navy hasn't put the stock over here, the peculiar stocks that they want issued?

Lieutenant Colonel ASBILL. No, sir. I think that this problem here that there has been a little misunderstanding.

Mr. BONNER. I hope there is——

Lieutenant Colonel ASBILL (interposing). In this problem, I would like to have Colonel Strnad—we have charts here showing information about our stock which we would be willing to pass out to you; we accumulated these data——

Mr. BONNER. Put it right in the record.

Lieutenant Colonel ASBILL. Yes, sir.

(The data referred to appear as Alameda Exhibit 1, p. 248.)

Rear Admiral ROYAR. I didn't want to infer that they hadn't stored it, but I say during this test we had to bring these additional items over here to make the issue from Alameda.

Mr. BONNER. That was the intent of the test that you promptly bring them over here.

Rear Admiral ROYAR. Yes, sir; and it has been done.

STANDARDS FOR EVALUATING TEST

Mr. WARD. Did the Munitions Board set any standard as to what is "very good" and what is "adequate" and what is "not good"? In other words, do they say it will be considered as being "very good" if issue is made within 48 hours and that there are no back-orders? Do they set any standard like that to go on? Can you answer that, Colonel?

Lieutenant Colonel ASBILL. I don't know. On this questionnaire, my understanding was they took the three categories there——

Mr. WARD (interposing). They leave it entirely to the judgment of the recipient to do that?

Lieutenant Colonel ASBILL. That's right. If they wanted to put any additional information on it, they could.

Mr. WARD. If one fellow thinks he should get his stuff in 36 hours and he gets it in 40, he would say it is not very good though someone else would think it adequate?

Lieutenant Colonel ASBILL. With reference to the Army, we have a certain testing period which we have to meet, which we will explain a little later on. The Navy has priority A and B which you have to get out immediately and there is priority C and D. If we miss those priorities, our customers in the Navy should criticize us.

Mr. WARD. Is that what each one was told to do, criticize according to his own service standards?

Lieutenant Colonel ASBILL. No; I suppose it was implied in there; I don't know.

Mr. WARD. I was just thinking from the standpoint of a test and measurement that the thing is purely subjective when it is left like this. There is no commodity understood standard.

Lieutenant Colonel ASBILL. Yes, sir.

Mr. BONNER. You may proceed, Colonel Strnad. I think we ought to clarify this and put it in the record. Read it right in the record. Is it a chart you want to insert in the record? Is it lengthy?

Lieutenant Colonel STRNAD. No, sir; it is very short.

We stock at this depot for issue to the Army 3,870 standard end items. That does not include spare parts. For the Navy during this test we have in stock as of right now 5,436 standard stock end items. Now, the difference is mainly that we have stocked for the class 14, which is the optical classification, which consists of 896 items. As you know, for the Army those are keyed to St. Louis and supplied world-wide from that depot. That makes up the largest difference. The other difference is in class 3, surgical tools. There are some very slow-moving surgical instruments which we key to St. Louis. Out here—they were moved over here from the Oakland Medical Supply Depot for the test.

Mr. BROWNSON. On that point, if this experiment were to be pronounced a success and this technique were to be adopted for this type of combined operations in the future, might it not be possible that the end result to meet the Navy needs and at the same time work within the range of the Army would be to stock the Army supplies and these other 2,000 items close to the coast? This would then satisfy the Army requirements and would defer to the Navy requirements of immediate service to ships? In other words, you might make a redistribution of your stockage levels and eliminate some of your stockage at St. Louis and decentralize on the west coast in order to meet your naval limitation?

Lieutenant Colonel STRNAD. There are certain recommendations which we would make if this test were continued on and that is one of them, that we unkey and maybe the Navy stock out here item for item here at this depot, so you could take full advantage of cross servicing. It would only take a small proportion of St. Louis keyed items. That is one of the recommendations. There is no reason why it couldn't be done. We did not do it prior to the test because we didn't know how long this experiment would run, and it would mean sending the items back again.

Mrs. HARDEN. Colonel, the chart refers to quantitative requirements. How about the qualitative requirements, and are the specifications standard to the maximum degree?

Lieutenant Colonel STRNAD. To the best of my knowledge, the greatest percentage of specifications for the Army, Navy, and Air Force are the same for the three needed services. Perhaps General Hays has the exact figures.

FURTHER STATEMENT OF MAJ. GEN. SILAS B. HAYS, DEPUTY SURGEON GENERAL, UNITED STATES ARMY

Major General HAYS. I have figures on that if you would like them read——

Mrs. HARDEN. Thank you, Colonel.

SERVICE FUNCTIONAL DIFFERENCES AFFECT MEDICAL OPERATIONS

Major General HAYS. First, let me say that in the medical services of the departments there are some functional differences. For example, in the Navy the Medical Service takes care of the dead.

Therefore, they need embalming equipment and caskets. In the Army that is done by the Quartermaster. In the Army there is a veterinary service which requires certain supplies and equipment, which the Navy doesn't have. So there are some differences in items that are due entirely to functional differences within the medical services. Of the two departments now, exclusive of spare parts, there are 6,910 standard items in the catalog. That is the armed services catalog of medical matériel—5,097 are identical for Army, Navy, and Air Force. Of the remaining 1,813 items, 1,471 are cataloged for use by the Army and the Air Force and 42 by the Navy and the Air Force; 7 for the Army alone, 252 for the Navy alone, and 41 by the Air Force alone. Now, of those 6,910 items, the total, 5,328, might be roughly considered as to be strictly medical in nature, in veterinary, or in undertaking supplies—morticians' supplies, and things of that kind. Of that 5,328, 5,097 are come to all three services, which is 95.6 standardization among the three services.

Mrs. HARDEN. Thank you, sir.

I notice Commander Byrne wanted to make some observation on this.

Commander BYRNE. What General Hays has just said is what I wanted to say also; I have nothing further on that point.

Mr. BROWNSON. At this point I would like to request, with your approval, that all recommendations made by the Army, Navy, and Air Force as a result of this Alameda test be forwarded to this subcommittee, whether or not the test is followed through and regardless of future developments. I believe that this subcommittee should have for inclusion in the record at this point the recommendations made by each of the three using services as a result of this test which has been conducted here. I mean by that the complete recommendations, such as the recommendation we were just discussing on the geographical placement of Army supplies. I think in evaluating this experiment and in going into other areas of supply the recommendations which the skilled supply personnel make on this test will be of great value to us.

Mr. BONNER. Their recommendations to make the test successful. So, we will ask that the various services send to the subcommittee their recommendations so they can be inserted in the transcript of the hearings.

Mr. CURTIS. Mr. Chairman, may I ask that we get some information along this line—whether it would differ materially, I don't know, but I think inasmuch as the test is not yet complete and now that they have preliminarily formed some conclusions or recommendations, it would be important to us to know in general what they are worth. The one you have already mentioned is this suggestion that these items be stocked more completely and whether or not there are any additional general recommendations that you have in mind at this stage. I know you are later going to set down and evaluate the whole thing, but maybe other recommendations that you have in mind at this point would be of value to us, if there is anything additional, and perhaps we might get that.

Mr. BONNER. Wasn't that what Mr. Brownson asked?

Mr. CURTIS. I thought what Mr. Brownson was after was at the conclusion of the test.

Mr. BONNER. It would serve a good purpose for us when we come to ultimately writing our report to have it in the record.

Mr. CURTIS. Maybe I have misunderstood. I want to be sure that everyone does understand what Mr. Brownson—what I understood him to ask, and that is opinions right now of what observations you have made and might have rather than when you all sit down and really evaluate this thing. As Rear Admiral Royar said, he preferred to reserve his judgment and I can appreciate why he would want to do it in order to consider everything, but these people who are dealing with it right now have probably gotten some things that they have worked up in mind at this time which would be of value to us. Do we understand each other?

Lieutenant Colonel ASBILL. Yes; I am speaking strictly as commanding officer running this test. There is just one that we have and which we would further develop and which will be in our recommendations to the Munitions Board, which eventually would get to you, but certainly I can tell you right now.

Mr. BONNER. We would like to have it.

Lieutenant Colonel ASBILL. There is one recommendation that we have agreed on here. That is, I say "we," I am talking now for myself and my stock control officer here. I haven't discussed this with the Navy, with Commander Byrne here and I don't know what his reaction to it is. There is one recommendation and that is satelliting. Now I might explain satelliting. Let's take in the Army, for example, we have a large general hospital over here called Letterman and satellited or attached to that hospital for supplies is some 15 small dispensaries, Army laboratories, Army dental laboratories, recruiting stations and veterinary inspection teams. They all draw medical supplies from Letterman General Hospital. In other words, we send out a case load, for example of 24 bottles of serum to Letterman and their requirements to all their satellites is 1 bottle per unit. That would mean we would ship 1 case to Letterman and they would break down the case and give each satellite 1 bottle of aspirin, which is 15, and keep 8 themselves. We would just bill and ship in bulk lots. In other words, we would be in the wholesale business, not in the retail. They would come in and draw from Letterman. That is what I mean by satelliting. We only have 50 parent stations in the continental limits of the United States which serve probably 300 or 400 smaller units. However, we only ship to the parent station. It is much cheaper; it is faster and we sell bulk lots and case lots and they have to break the case down anyway and the satellite unit draws from them.

Mr. BONNER. That is your recommendation that it be shipped to the parent unit and not direct from here to the satellite units?

Lieutenant Colonel ASBILL. Yes, sir. We can't ship to the satellite units now——

Mr. BONNER (interposing). What is your recommendation?

Lieutenant Colonel ASBILL. My recommendation is that the Navy, perhaps, satellite their ships that go to sea and the San Diego hospital or the Los Angeles Island hospital, or draw from here in the bay area—one central place, because we ship now to every Navy ship and every Navy ship has, I believe, an account number. We have Navy ships that come into San Diego which forward the requisitions

up to us and we ship from here to San Diego, maybe 10 boxes—maybe 15 boxes for the ship.

Mr. BONNER. Your point is you had better ship to the parent distributor at San Diego?

Lieutenant Colonel ASBILL. That's right.

Mr. CURTIS. Commander, a good bit of that is done through your supply ships and supply warehouses; is that not correct?

Commander BYRNE. That is very true. Overseas ships receive most of their medical supplies through the storehouse at bases or through floating barges or some fleet issue supply vessels.

Mr. BONNER. That would be the parent distributor?

Commander BYRNE. That is the parent.

Mr. BONNER. That is the same thing, except, Colonel, where the satellite was large enough to have a direct shipment made.

Lieutenant Colonel ASBILL. Yes, sir.

Mr. BONNER. All those things are common sense and have to be worked out in a practical way.

Lieutenant Colonel ASBILL. Yes, sir; that's right.

Mr. CURTIS. I would like to have the rest of Commander Byrne's statement, if I may, Mr. Bonner.

Mr. BONNER. Yes; go right ahead.

Commander BYRNE. I would like to say there are occasions where satelliting is desirable and others where it is undesirable.

Mr. BONNER. That is just what I say. Where it is the most practical thing and common-sense thing, that is what we want to get at here—some good common sense.

Commander BYRNE. I think the Navy has gone into the question of satelliting to a considerable extent and I think the system we have today is probably as far as we care to go, or should go.

Mr. BONNER. I don't know about that. This subcommittee, in all probability, will recommend that this test take another year. I don't think there has been sufficient time for this test to prove its real merit and I am going to personally make the recommendation that this test go on another year.

Mr. CURTIS. I think the commander had something further to say, and I would like to hear it.

NAVY DIFFERS ON SATELLITING

Commander BYRNE. I would like to say there are many uneconomical features involved in satelliting. It means putting additional stocks in your supply system, and also, the parent activity frequently has to make a further shipment. It is not a question of a fellow being next door to you and walking across the street to draw his stocks. It takes personnel; it takes trucks; it takes shipment of some kind to effect that further redistribution. All that is costly. On some occasions it is desirable and others undesirable.

Mr. CURTIS. But it is certainly costly to have three or four depots distributing the same item in one immediate section, isn't it?

Commander BYRNE. Yes, sir.

Mr. CURTIS. And it would make no difference which service runs it.

Commander BYRNE. Yes, sir.

Mr. BONNER. All right, gentlemen, if you are ready to proceed further. Colonel Asbill, you may proceed with your next statement, or whomever you desire to present to the subcommittee.

Lieutenant Colonel STRNAD. Since the validity of any conclusion, based upon an incomplete survey, such as represented by these questionnaires, it is considered appropriate that we present certain performance statistics which we have gathered during the test, which give a further indication of quality of customer service.

A depot which furnished all necessary items and quantities requisitioned by the required date stated by the requisitioner may be considered operationally acceptable. Where any item is not supplied, or supplied too late to get to the station by the required date, can be considered a supply deficiency.

In the Army we have two statistical means for measuring these deficiencies. One is line items established on dues out and requisition line items shipped late.

I would like to explain each type of measurement a little more so that there will be no misunderstanding about. When a requisition line is received for an item in an out-of-stock position, it either is extracted to another supply source or placed on dues out. "Dues out" may be considered a clerical means for keeping a requisition line active. It is a standard device used throughout the military services and industry to preclude the necessity for rerequisitioning. It should be noted and clearly understood that a requisition line established on due out, while technically a supply deficiency, does not necessarily result in a failure to provide proper medical care for patients. A dues out only becomes serious when supplies desired fail to reach the requisitioner by the required date, or the station's stocks on the item are exhausted and there is no acceptable substitute.

Now, this chart is intended to show the comparative significance of dues out in the over-all picture of supply operations since the commencement of the test, covering a period of March 1–July 25, 1952.

During this period we have received 211,373 requisition lines from Army, Navy, and Air Force activities. On these requisition lines we have been able to take positive supply action on all as represented by this black portion [indicating], except 12,576, or 5.95 percent which were established on dues out. As can be seen, the great bulk—the remainder was for some reason out of stock position and had to be established on dues out.

In order to determine just how long it took for an item established on dues out to get released, we made a further study of dues out, established during May and June—very important months during the test—and we discovered from that study of our dues out established, 49 percent of them were released within 15 days after they were established; 27 percent were released 15 to 30 days after the establishment and the remainder was over 30 days.

It can readily be seen from this chart that we have been able to take supply action on the great bulk of the lines received, even though they were established on dues out. The largest majority, or 76 percent, were released in 30 days after establishment and consequently should not have necessarily resulted in serious supply shortages.

The second statistical means, as mentioned, that we have for measuring quality of customer service is a line shipped too late from this depot to reach the requisitioner on the required date. Even though the required date may be unreasonably early and the shipment only a few days late, for statistical purposes the Army considers such a line late. It should be realized, however, that a shipment received by a

station a few days after the required date does not necessarily result in a supply shortage affecting the care of the patients. In other words, recording late lines is primarily a statistical means for determining the extent to which the depot has fallen short of 100 percent efficiency in the performance of its mission. This chart shows the comparison of late shipments during the test period to the total lines shipped. The large bar represents the shipments made in terms of lines thousands, and reached a peak of 55,513 lines shipped during May. These data, incidentally, are carried through July 25. For the month of July, the dark portion of this chart represents the lines that were shipped on time. The lighter portions represented by this portion of the chart, represents late shipments. It will be noted that the high in late shipments was during April, when it reached 15.2 percent of total lines shipped. It, however, has steadily decreased since that date to July when it reached 4.3 percent of total lines shipped.

Now, of these late shipments, the lighter portion shown at the very bottom, represents those late shipments which were the result of operational faults or difficulty at the depot. We admit during March 33 percent of these late shipments reflected here, or 1,219 were our responsibility. However, we have steadily been able to reduce that figure until during the month of July we have only 19 lines which were late and the result of delay in depot processing, or 1.2 percent of the total late shipments.

It may well be asked, What are the other reasons for late shipments, those we consider not the fault of the depot? I explain in considerable detail in the brochure these various other reasons, but I will touch upon them briefly.

One large category of late shipments are due out releases. An item we previously established on due out because the stock was not available and when the stock came in, we released it, but it did not reach the station until after the required date. In many cases dues out are released in time and are held up for some reason or another.

Another larger category of late shipments, is late receipt of extract requisitions from other depots. We frequently are directed by the central inventory control point to take action on an extract requisition from another depot and due to the extract time involved and the shipment time to other distribution areas, results in late shipment. Another category is late receipt from the requisitioner. Occasionally, a requisition comes in which actually does not give a depot normal processing time. We do everything we can to get it out on time, but if it goes a day or two late, it is a late shipment and is shown as such on our report.

It is believed the following conclusion can be drawn from this chart: That late shipments have been steadily decreasing percentagewise, from a high of April until July. Late shipments due to delay in depot processing have been falling steadily downward. A very minor percentage of total late shipments are within the province of this depot to correct.

LATE SHIPMENTS

In addition to this we have further analyzed late shipments by taking the first 500 requisitions we received at this depot after the test began—Army, Navy, Air Force. We discovered in analyzing those requisitions that of 3,199 lines recorded as late shipments, 2,325

lines, or 72 percent were shipped within 1 to 15 days after the original shipping date; 874 lines, or 27.3 percent were shipped after 15 days or the original shipping date. Thus, the large majority of late shipments recorded as such statistically were released within 15 days of the date, which would have meant the shipment was on time had we been able to ship it at the time we were supposed to.

Mr. BONNER. What month reflected the height of your late shipments?

Lieutenant Colonel STRNAD. April.

Mr. BONNER. That was the height of your late shipments. Does that column going up indicate excessive demand during that month by the column being so much higher than the other columns?

Lieutenant Colonel STRNAD. We received a very large number of requisitions from all services.

Mr. BONNER. More requisitions in that month than you did in these other periods?

Lieutenant Colonel STRNAD. That is correct; it was a very heavy month.

Mr. BONNER. Percentagewise, your late shipments weren't any more then than they were at any other time?

Lieutenant Colonel STRNAD. No, sir, they were larger, 11.6 percent, during May.

Mr. BONNER. I am referring to that chart comparison of late shipments with total lines shipped so the record will show that.

Lieutenant Colonel STRNAD. We would like now to discuss cross servicing which has been possible under this test operation, which we feel will be of great interest to the committee.

Just to make clear what we mean by cross servicing, in our discussion we consider cross servicing to be making the stocks of one service available to another service if that service has a need and cannot get the demand from their own assets.

Cross servicing has been facilitated by the test operations, conducted here, and has been accomplished on a simple, efficient basis. A stock balance listing is prepared weekly for editing requisitions. This is normal operating procedure. This balance listing includes information pertaining to all three accounts, such as stock on hand, stock due in and due out.

Immediately upon receipt of this listing on Monday morning, it is reviewed by the liaison officer of each service to determine those items which are out of stock or on due out which can be supplied by one of the other two services. A request is then placed on another service for the stock requisitioned and normally within 2 days after the request, we have assessed the stock and the dues out have been released.

Mr. BONNER. You are speaking of cross servicing in your own warehouse of the various stocks?

Lieutenant Colonel STRNAD. Yes, sir.

Mr. BONNER. As long as you continue that you will never get unified medical service. I wanted the record to show that.

Lieutenant Colonel STRNAD. It should be noted that cross servicing is also accomplished at another level besides the depot level. We do it here based upon the demands for common items. It is also accomplished at another level, at inventory control stations, in Brooklyn, N. Y. These offices, as part of their normal requirements analysis and

procurement operations, direct transfers of stocks between the services. No physical movement of matériel is involved; it is normally a simple paper transfer between stock accounts. In this manner full utilization of available excess stocks of other services is effected prior to the initiation of new procurement. This procedure is also used for stock balancing purposes among the several depots. Approximately 80 percent of the cross servicing accomplished at this depot during the test period and reflected in these figures, was the result of such transfer directives from the inventory control offices. In the aggregate, during the first 5 months of test operations, cross servicing between the departments totaled $1,924,822.55. The detailed transfers between the services are shown in the brochure and I will not read them.

The basic policies that we have followed on cross servicing at depot level are also set forth in the brochure for the information of the committee.

I have attempted up to now to provide an explanation of the manner of our operation at this depot——

Mr. CURTIS (interposing). Are you reaching cross servicing now?

Lieutenant Colonel STRNAD. Yes, sir.

Mr. CURTIS. I would like to ask a couple of questions, and one particularly to make an observation, actually by having this Alameda test it has facilitated cross servicing to a great extent has it not?

Lieutenant Colonel STRNAD. Yes, sir.

Mr. CURTIS. In other words, you have it right under your own supervision, and I dare say the amount of cross servicing that has gone on thas been a great deal more than would normally go on. Do you have any figures that would substantiate that, or will you when you draw up your conclusions? Will that be pointed up so that we have some basis of showing that by using this system of cross servicing it becomes a great deal more effective and it occurs more frequently. Will we have those figures?

CROSS-SERVICING AT DEPOT LEVEL

Lieutenant Colonel STRNAD. The Munitions Board probably will have the figures as to the cross servicing that is accomplished prior to the test period to compare with those during the test period.

I would like to point out under the test, this is the first real example, or where we have had depot level cross servicing. It has always been in the past on emergency requirements, but under the test we have gone out for cross servicing as the demand arises, which would produce more cross servicing than would probably be had under the previous system.

Mr. CURTIS. Yes; you have made it feasible to do it at that level, and your test would show by using this system of warehousing—just warehousing alone—the feasibility of cross servicing is great.

Lieutenant Colonel STRNAD. That's right. We can help a great deal—I think we have helped the Navy a great deal too in this cross servicing operation.

Mr. CURTIS. Thank you.

Mr. ROBACK. In that connection, what is the ratio in dollar value of the aggregate cross servicing for this period, compared to the total issue? You have a figure here of almost $2 million for cross servicing during the test period.

Lieutenant Colonel STRNAD. No, sir, I don't have that ratio figured out, but in your brochure you do have the total dollar value of the issues of shipments made by the depot during this test period.

Mr. ROBACK. What is the aggregate issue?

Lieutenant Colonel STRNAD. Aggregate issue, $9,132,000.

Mr. ROBACK. Roughly, the cross servicing will be something like 20 percent?

Lieutenant Colonel STRNAD. That's right.

Lieutenant Colonel ASBILL. Approximately $10 million issue during the first 5 months; therefore, $2 million was cross servicing.

Lieutenant Colonel STRNAD. You can't compile it like that—not to issue—for this reason: In many cases some of the transfer documents by the central control point were for longer stocks—for longer periods of time. In other words, if the Air Force has an excess on an item, they might transfer a 3 months stock to the Army.

We have several sections of the brochure devoted to workload, manpower and cost statistics for stock control, storage, and procurement operations at the depot. I do not propose to go into that in the oral discussion. If there are any questions on that, I assume the committee will ask them.

There is one important point, though, which we feel should be discussed at this time for the record, and that is under storage operations. We feel storage operations at the Alameda Medical Depot under the medical supply test reflect considerable progress in the field of unified supply operations and demonstrate the advantages inherent in such unification. Due to the fact that there was no stock segregation under the test operations optimum utilization of space potential has been possible.

I would like to describe that briefly. In a storage operation such as ours there are involved several thousand items, and it is necessary to locate each item in such a manner as to permit its rapid location and selection for issue purposes. This segregation by item results in what is referred to as "potential" storage space, namely, more space for additional units of the same item in the stack set aside for that unit. Consolidation of medical supply activities for the Department of Defense on the commodity basis, such as is done here, permits the maximum utilization of such space potential. When you gentlemen, and lady, visit the depot you can see more clearly what we have in mind.

Mr. ROBACK. Is there any assigned money volume for comparison between the test period and the base period? In other words can you assign the money value to that savings?

Lieutenant Colonel ASBILL. I perhaps can answer that. The feeder reports are sent direct to the Munitions Board where they are accumulating these data to present, I believe, to the committee. We do not have the Navy figures here. So, we have no way of arriving at that. We just have our cost as we send those figures forward each week and they are accumulated at the Washington level.

Mr. ROBACK. I think, Mr. Chairman, that the figure should be supplied to the subcommittee with respect to the comparative data as to a net savings figure; if it is possible, that would help us.

Lieutenant Colonel ASBILL. We are auditing our figures now; they can be supplied.

Mr. BONNER. Supply them for the record.

(NOTE.—These data will be available during January 1953—see attached letter.)

MUNITIONS BOARD,
Washington, D. C., November 19, 1952.

Hon. HERBERT C. BONNER,
Chairman, Subcommittee, Intergovernmental Relations,
House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: In reference to your letter of November 7, 1952, the final evaluation report of the Alameda medical-supply support test is not yet available. Since that test was conducted as part of an over-all study of military medical-supply operations under the Department of Defense supply-systems study project, it is planned to distribute the final evaluation report concurrently with the study report of the over-all study.

It is expected that both reports will be completed during January 1953. Your subcommittee has been placed on the distribution list of both reports for high-priority distribution. You will promptly be furnished copies of both reports when they are printed.

Sincerely yours,

JOHN C. HOUSTON, Jr.,
Executive Vice Chairman.

Lieutenant Colonel ASBILL. Within 4 to 5 days, Congressman Bonner, we will have those figures. They are being audited now and we could send them to you. We do not have them available here at this time.

Mr. BONNER. You will supply that for the record at that point as of the present time.

Has there been a survey made yet to determine how much storage space you have saved by this unified distribution?

Lieutenant Colonel ASBILL. No, sir; there has not.

Mr. BONNER. You haven't made that?

Lieutenant Colonel ASBILL. No, sir.

Mr. BONNER. You haven't made any survey as to the personnel you have saved?

Lieutenant Colonel ASBILL. No, sir; we have not at this depot, but it will be made.

Mr. BONNER. It will be done?

Lieutenant Colonel ASBILL. Yes, sir; it will be done.

Mr. BONNER. Taking into consideration the over-all picture as it was before?

Lieutenant Colonel ASBILL. That's right.

Mr. BONNER. That will be supplied to us for the record.

Lieutenant Colonel ASBILL. Yes, sir.

PACKAGING AND CRATING

Mr. CURTIS. On this storage, is there any difference in the packaging and crating between the services of the same items?

Lieutenant Colonel ASBILL. No, sir. That is all worked out in the specifications.

Mr. CURTIS. That had already been accomplished?

Lieutenant Colonel ASBILL. Let me put it this way. We get a certain percentage—probably a higher percentage of overseas items packed from the manufacturer here armywise than perhaps the Navy gets into our depot system, due to our being a "boat filler depot." It is a little higher packed because most of our tonnage goes overseas

direct to Korea, which is a big supply point over there. That is the only difference. We all work on the same specifications—packing specifications.

Mr. CURTIS. From the manufacturer——

Lieutenant Colonel ASBILL (interposing). That's right.

Mr. CURTIS. Do you do any repackaging and recrating here?

Lieutenant Colonel ASBILL. Yes; we do a considerable amount.

Mr. CURTIS. There have been no differences that you had to deal with in handling this as far as packing and crating specifications are concerned?

Lieutenant Colonel ASBILL. There has been a little increase of repackaging for the Navy, a slight increase. I do not believe though that they did as much repacking for their outside activities as the Army does now for its activities.

Mr. CURTIS. But in the repackaging, the services follow the same specifications; is that right?

Lieutenant Colonel ASBILL. Yes, sir.

Mr. CURTIS. Is that right, Commander? I notice you shaking your head.

Commander BYRNE. I don't think that is entirely true. During the test the Navy has accepted the Army's method of packaging and mode of shipment. There have been a number of differences, but we have gone along with the Army's method. I will give you one example. A shipment of serum requiring dry ice, might well be sent by the Navy by parcel post, assuming it will arrive before the dry ice expires; whereas, I think the Army system is to use air express and was not using dry ice.

Mr. CURTIS. By using a different package, perhaps?

Commander BYRNE. Yes, sir.

Lieutenant Colonel ASBILL. It is a little larger package when you put dry ice in it.

Commander BYRNE. Another instance where there has been a difference between the services, and that is in regard to how long an item will keep under dry ice, and again we have accepted the Army's shipment method, although in one case, Pearl Harbor, which is getting a weekly shipment of a deterioative item, complained about that; that it was not being received under refrigeration, and before the Navy had been refrigerating it.

Mr. CURTIS. You get discrepancy reports back on anything that comes poorly packaged, and so forth?

Commander BYRNE. It wasn't a question of being——

Mr. CURTIS (interposing). No, I can understand. I shouldn't have used the words "poorly packaged," but following the packaging specifications they didn't do the job. The net result, though, would be, would it not, in an operation like this, there should be one best way of packing and shipping, and the net result would be any differences in the service that exists should be terminated and the best system of shipping would be adopted. So, that would be an advantage that eventually would come out of this sort of operation, would it not?

Commander BYRNE. Yes, sir. As I say, we have used the Army's method.

Mr. CURTIS. I appreciate that, but there is no reason why the Army and Navy should be shipping according to different specifications the

same item. There should be one way that is the best way of packaging and shipping the item and that is just as important a thing of getting unified on that. Now, true, the specifications are written up at a higher echelon than at your level. You take the specifications that are written for you as far as packaging is concerned, isn't that true?

Commander BYRNE. There are some methods of packaging and the mode of shipment will be left to the discretion of the individual depot.

Mr. CURTIS. Of the individual depot?

Commander BYRNE. Yes, sir.

Mr. CURTIS. And in that instance, of course, you would all follow the same?

Commander BYRNE. Yes, sir.

Mr. CURTIS. But sometimes when the specifications come down from a higher level, so unification on that, or unification on packaging should be cordinated at a higher level, but none the less, you people if you follow an operation like this would be passing on information to a higher level which would help promote that unification, if you follow me?

Lieutenant Colonel ASBILL. Yes, sir; I think so.

Mr. KENNEDY. With respect to this packaging phase, has the Munitions Board Standards Agency had any representative out here to review your experience in this regard?

Lieutenant Colonel ASBILL. No, sir.

Mr. KENNEDY. Have you made any recommendations to the Standards Agency?

Lieutenant Colonel ASBILL. In fact, not for some time—not during the test. We have made recommendations prior to that perhaps on certain types of items. Maybe we have during the tests; I don't know. We send those forward to Washington when we make them. We have hade some complaints on packaging from overseas. For example, this X-ray tube, on packing that thing, we should have maybe a suspended sling, and a little more bracing, something like that. We run into that and we send those forward and request the packing specifications; we do that constantly, but it has not resulted from the test—let's say it that way. That is a normal problem.

Mr. KENNEDY. Under the directives which set up the medical test, did they place any responsibility on you to make these recommendations, either during the test or in summation of its conclusions?

Lieutenant Colonel ASBILL. No, sir; but I believe it was implied in there that we conduct it under Army specifications, and if they were not sufficient to protect the item either for the Army, Navy, or Air Force, then we should recommend that the specifications be changed. Here is an instance. We have recommended that the cargo coating specifications be changed, because it proved we could not ship, for example, under Navy methods. So, we recommended to our cargo coating people that they put an additional coat in order to protect Navy shipments.

Mr. KENNEDY. If they received no recommendation under that implied feature, the Munitions Board Standards Agency would be led to believe that there were no problems in that area?

Lieutenant Colonel ASBILL. I assume that's right.

EACH SERVICE USES DIFFERENT REQUISITION FORMS

Mr. BONNER. Colonel, do I understand that each one of the services is requisitioning on different forms—using different requisition forms?

Lieutenant Colonel ASBILL. Yes, sir; I believe that is true.

Mr. BONNER. All three services have a separate form of their own—different form?

Lieutenant Colonel ASBILL. Yes, sir; they come to us that way.

Mr. BONNER. Is any study being made now for uniform requisitioning?

Lieutenant Colonel ASBILL. That, I couldn't answer.

Mr. BONNER. Of course, in making this test, you are here where you can observe.

Lieutenant Colonel ASBILL. Yes, sir.

Mr. BONNER. Have you made any suggestions?

Lieutenant Colonel ASBILL. We have not, Congressman Bonner, because it doesn't make a bit of difference to us what form they use in putting in a requisition, as long as there are certain requirements—certain figures on certain lines over there. We don't care whether it is a piece of paper; we can still fill it at this depot.

MORE WORK REQUIRED WHEN STANDARD FORMS NOT USED

Mr. BONNER. Doesn't it require more detailed work when it isn't a uniform requisition blank?

Lieutenant Colonel ASBILL. Yes, sir; I believe it would.

Mr. BONNER. Then, wouldn't it be more economical to have a uniform requisition?

Lieutenant Colonel ASBILL. Yes, sir; I certainly agree with you.

Mr. BONNER. Then I ask what is the objection to a uniform requisition blank? The three services are present here and I would like to have, on the record, the objections that any of the three services would have to a uniform requisition blank.

Lieutenant Colonel ASBILL. There is no objection as far as the Army is concerned.

Mr. BONNER. Do you have an objection?

NAVY OBJECTS TO USE OF STANDARD FORM

Commander BYRNE. I would say this: In the Navy in all categories of material, we use a standard form.

Mr. BONNER. I don't care, Commander Byrne, whether they accept your form or the Air Force form or whose form; certainly they are good forms, but why not have a uniform form?

Commander BYRNE. I think it would be a form used in the supply over-all categories of material in all the services, otherwise you are still going to have differences in originating a new form for medical stores, which doesn't simplify the problem. Actually, it introduces into the Navy supply service a new form.

Mr. BONNER. The individual receiving the forms—it would certainly be simpler and easier for that individual to have the same form before him all the time than it would to have three different forms?

Lieutenant Colonel ASBILL. Absolutely.

NEED FOR PRACTICAL APPROACH

Mr. BONNER. These are the little technical things—the little peculiarities and we want to work them out fair to all. I am like that fellow that wore that button around here a short while ago, "I love everybody," but I want to get this thing down to a common sense basis. We want to recommend practical things. We don't want this thing going on just branching out all the time and everyone having a different pigeon to fly the same route when one pigeon can carry all the messages just as well. That is what we want to find out, what is the objection to a uniform requisition blank, and it should be tested here. This is the pilot study and it should be tested here. I am disappointed that it hasn't been attempted before this. When I made the statement just now about this test going on—I mean that this program should go on indefinitely, but not that the naval base standing over here with a lot of storage space and personnel is unused indefinitely—I hope that Navy personnel can be used here during the test and I understand it has been to some extent.

Lieutenant Colonel ASBILL. Yes, sir.

Mr. BONNER. But I wanted to make that clear, and I personally have no doubt and I hope others have no doubt here that this thing can be successful. I know with the cooperation of men as able as you men are you can make this thing work.

Mr. Brownson, do you have a question?

Mr. BROWNSON. I have no further questions at this time. The only thing, Mr. Chairman, that I would suggest would be that we open this whole thing up so some of the distinguished gentlemen representing others may feel free to give us their fullest opinions, but I have no specific question right now.

Mr. BONNER. You have made a good suggestion.

Mr. CURTIS. Mr. Chairman, I would like to—this is possibly a little over the line, but I don't believe it is if you will analyze it. Supply has been of tremendous advantage to maintenance and other branches of the service by reporting back to them any points of abnormal usage. Now I presume in the Navy you have a system of reporting abnormal usage, whether it is excessive or below normal; do you not, Commander?

Commander BYRNE. Abnormal requirements are controlled at the depot level. If an excessive quantity is requested it must be justified.

Mr. CURTIS. But, for instance, an abnormal usage, where there was some defect in a spare part, for example, in some piece of equipment that was constantly going out, and supply frequently is the first place you can catch it. Over all, the maintenance unit probably should report it, but frequently it has turned out that supply sees it first, because it is on your stock requisition. Do you have a system in the Army for that?

Lieutenant Colonel ASBILL. Yes, sir; they do.

Mr. CURTIS. And the same thing would be true of packaging, and also in the case of some one user using more, maybe it would reflect back and usually does reflect back in the original purchasing requirements.

Lieutenant Colonel ASBILL. Yes, sir.

Mr. CURTIS. Now, having made that preface on it, a test of this nature, what are you doing to make that determination? Do each

one of you report back to your own units in the same way that you have before any abnormal usage?

Lieutenant Colonel ASBILL. In the Army anything that has been brought to our attention either overseas, and comes back through the port and over to our depot, we forward it on to the people in Washington with our recommendations, or from our zone of interior stations—from the stations in the continental limits here west of the Sixth Army area.

Mr. CURTIS. Suppose you have an item that both you, the Navy and the Air Force, are using, and the Navy shows excessive usage and the other two normal, is there any way in this test where you will make a note of that fact? That is one tremendous advantage that could be derived from this thing.

Lieutenant Colonel ASBILL. I perhaps misunderstood you. Are you talking about excessive issue of an item?

Mr. CURTIS. That's right. That is the same thing as when you have—when it goes out and a new requisition comes in for it.

Lieutenant Colonel ASBILL. That is all in the requirements and stock control points.

Mr. CURTIS. Abnormal usage, whether it is excessive or below normal, can come from a hundred different sources, and that frequently is the very thing they will call attention to. The supply organization can catch it. Now, what I am posing is this: Here you have the three services together using the same items and a comparison immediately at this depot of any abnormal usage of the Navy would reflect maybe normal usage of the Air Force and the Army. It would give you added information to pass on. Do you utilize those statistics?

Lieutenant Colonel ASBILL. Not at the depot level. However, I believe they are utilized in the requirements and stock control points of the three services, which are in the same building in New York. You see, they have it there and they could evaluate that.

Mr. CURTIS. Yes; but you could pass on the information from Alameda.

Lieutenant Colonel ASBILL. We do by a stock status report.

Mr. CURTIS. And through your reporting to the Army you would likewise see that during the same period the Navy has not had excessive usage or whether it decreased?

Lieutenant Colonel ASBILL. Yes, sir; but we are not doing that.

Mr. CURTIS. You haven't gotten into that. This is perhaps a collateral point, but to me it is a very important one. I am afraid we are not utilizing enough in the services information that comes to supply along this line to channel it back to your maintenance and user organizations.

Lieutenant Colonel ASBILL. We have not utilized that at this depot level.

Mr. CURTIS. That is all.

Mr. ROBACK. What is this category, "Total productive man-hour cost" comprised of in your comparative study?

Lieutenant Colonel STRNAD. Of man-hours.

Mr. ROBACK. The direct labor costs that have been involved by the additional workload; is that what it is?

Lieutenant Colonel STRNAD. The total man-hours—productive man-hours that have been. It includes such things as leave and that sort of thing. It is productive man-hours of work.

Mr. ROBACK. Do you assign some overhead for these cost increases—administrative overhead?

Lieutenant Colonel STRNAD. This is strictly the productive man-hours within stock control, storage, and procurement divisions. The total costs are computed in these cost reports that we will submit to the Munitions Board.

Mr. ROBACK. With regard to storage operation, as shown for the month of April in your brochure, it appears that the productive man-hour costs during the test period have increased 97 percent?

Lieutenant Colonel STRNAD. The man-hours is 82 percent.

Mr. ROBACK. I am talking about the cost.

Lieutenant Colonel STRNAD. Yes, sir.

Mr. ROBACK. And the increase in receipts and shipments increased 84 percent. In other words, on the face of it, the costs of storage operations have increased more than the increased workload?

Lieutenant Colonel STRNAD. The thing to consider there is this: That the test period reflects the pay raises that were passed for civilian employees and the military, whereas the base period does not. Actually, you cannot strictly compare the cost with the increase of work. You have to compare the man-hours with the increase in work, because if the pay grades had been exactly the same, presumably——

Mr. ROBACK (interposing). But on the face of it, there is no indication that there have been any savings in cost as compared with the increased workload during the test period.

Lieutenant Colonel STRNAD. Not if you look exactly at receipts and shipments and consider the tonnage on hand and procurement, and so forth; there is.

Mr. ROBACK. With regard to procurement operations, on page 29 I find an even much greater increase in cost overhead relative to the particular procurement functions that you are responsible for at this level.

Lieutenant Colonel STRNAD. That is true, and I think it is explained generally in the brochure. We have had a different type of procurement mission here than they had at the San Francisco medical depot during the base period. The procurement here involves things like engineering contracts, whereas the San Francisco medical depot is primarily engaged in supply procurement.

Mr. ROBACK. From your observation of the test here, what do you consider are the substantial areas of savings?

Lieutenant Colonel STRNAD. The substantial areas of savings will result, we feel, in stock control and primarily in storage operations, because we have one line for this selection of stock, one shipping line, one group of storekeepers, and so forth. Wouldn't that be your opinion, Colonel Asbill?

Mr. ROBACK. But the data you have supplied on storage operations do not at this stage of the analysis indicate any substantial savings.

Lieutenant Colonel STRNAD. They do not at this stage; that is correct.

Mr. ROBACK. Now, from your observation at this one consolidated depot, is there any reason why the procurement function could not be a single service function in this field?

Lieutenant Colonel STRNAD. Are you speaking of depot level procurement?

Mr. ROBACK. No; I mean over-all procurement functions in the medical field. Is there any necessity now for a triservice procurement function and a single service issue function?

Lieutenant Colonel STRNAD. We do not have a triservice procurement function. We have a single procurement agency, which operates under the Army's administrative rules and regulations. It is jointly staffed by Army, Navy, and Air Force. I don't quite understand the question.

Mr. ROBACK. Do you consider that the distribution function at this level from this depot has the same relationship as procurement? In other words, do you not have triservice procurement and single service distribution in the medical field?

Lieutenant Colonel STRNAD. You have a triservice requirements determination function, as I mentioned in the first chart, on plans and computations and on item requirements, and from that point on it goes into a single procurement agency and here at this level single distribution.

Mr. ROBACK. Is there any reason from your operational experience why a single department could not purchase all the medical supplies?

Lieutenant Colonel ASBILL. The only example I can cite is that—are you referring to a single agency other than a medical agency to procure medical supplies? Is that what you are referring to?

Mr. ROBACK. I am talking about a single service or a single department.

Mr. WARD. May I interrupt just a moment? I think Mr. Roback is talking about Secretary Lovett's directive of the 17th of July, last year, where he said that they were going to study the feasibility of one service procuring and warehousing and distributing for all the services on a single-service basis, rather than on a joint basis.

Lieutenant Colonel ASBILL. I do not believe I am qualified to say at this level. I am not familiar with that.

Mr. BONNER. That question is beyond the scope of the study being made here?

Lieutenant Colonel ASBILL. Yes, sir; it is. Is that fair to say that, Mr. Roback?

Mr. ROBACK. I merely asked from his operating experience in this field, whether the material was of such nature it would require a triservice procurement, whereas they were just distributing on a single-service basis.

Lieutenant Colonel ASBILL. Let me put it this way. Maybe I can clear this point up. I have worked in a general depot, for example, where we had a general depot headquarters procuring for the Signal Corps, Ordnance, Quartermaster, and Medical. It was headed up by a Quartermaster officer. We found that very unsatisfactory, because we felt like all the services feel, maybe right, maybe wrong, that we were not getting the service that we were entitled to, as we would if we had procured it ourselves, knowing the nature of the item, and knowing the requirements. We felt we would get much better service if we established our medical depot for our port areas and our procurement. In other words, we did our own procuring—pulled out from the depot headquarters where the procurement was handled by a single service, because we were not getting the performance that we thought we needed. Does that in a roundabout way answer your question? That is my feeling on it.

Mr. ROBACK. You made the statement in this presentation here that single-service supply operations as performed by this depot do not reduce the volume of procurement in the procurement pipeline. Now, do you believe upon the basis of your operating experience that this kind of operation ought to give you some authority to appraise and have some authority over the requirements of the services? Do you think if you had such authority it would facilitate your performance?

Lieutenant Colonel STRNAD. We have only a small view at the depot level of the total over-all picture. The people in the central inventory control point know the over-all picture and plans. We are not really in a position to determine on any item whether we have too much or too little, because we do not know what is planned for those stocks. I would say, as far as my personal opinion is concerned, that we would be skating on rather thin ice if we attempted to state at this level any stocks we might have on hand are too few or too many, lacking the complete over-all planning and requirements information.

TEST COMBINES DISTRIBUTIVE FUNCTIONS

Mr. ROBACK. So that the distribution function as you are performing it in this field now is merely bringing together under one roof, you might say, what has been performed under probably two or three supply arrangements?

Lieutenant Colonel STRNAD. Yes, sir. There has been no duplication of storage and distribution.

Mr. ROBACK. You made the statement that 88 percent of the cross-servicing arrangements were required by directives from the control points, and were those directives issued without regard to this particular test operation either prior to or independent of the fact that those operations were consolidated at this depot?

Lieutenant Colonel STRNAD. That type of cross servicing was done prior to the test; the Army and Air Force, having worked together for many years, have always cross-serviced on that basis.

Mr. ROBACK. That particular statistic does not emanate from the institution of this test?

Lieutenant Colonel STRNAD. No, sir.

Mr. ROBACK. And whatever advantages may flow from cross servicing would flow from the physical proximity to those stocks, or the fact that the stocks are in one place?

Lieutenant Colonel STRNAD. Yes, sir; that's right.

Mr. ROBACK. Not from the fact that the study itself encouraged or directed higher headquarters to go into an expanded field of cross servicing?

Lieutenant Colonel STRNAD. The cross-servicing has been facilitated by having the stocks under one roof.

Mr. ROBACK. But the decision to do the cross-servicing was not related to this particular operation?

Lieutenant Colonel STRNAD. Very likely——

Lieutenant Colonel ASBILL (interposing). I might point out that this—right now—that they have a monthly stock status report which goes in from here. We cross-service here data and bring to their attention items out of stock position, which has facilitated requirements of stock control which enables them to get together and give us faster action.

Mr. ROBACK. Are all those cross-servicing actions that are not prosecuted over here, are they done as before—each separate service where it finds itself short in its stock level draws upon some supply center elsewhere?

Lieutenant Colonel STRNAD. Yes.

Mr. ROBACK. In other words, does the Navy draw upon the Army here before the Navy tries to build up a stock level from some other Naval supply point?

Lieutenant Colonel ASBILL. What they do, the Navy here, if they get in a back order of, say, 15 of an item, we cross service that day. That doesn't mean brought from their depot over here. If they didn't have the 3 months' stock level over here, we cross-service that day on that particular item, but they make an attempt to bring it over here from their other depot—not from Clearfield and not from the eastern depot.

Mr. ROBACK. All the cross-servicing data at this depot indicate all three services have requisitioned, drawn, or issued the same amount. In other words, they took from another service about as much as they gave it. Now, in the aggregate do those actions represent from a cross-servicing standpoint any particular economy in that field?

Lieutenant Colonel ASBILL. Well, it gives you a better supply action when it is consolidated. That is the big object of the cross servicing—faster supply action.

Mr. ROBACK. Does it have any effect on either the requirements or the demands that are made upon the depot?

Lieutenant Colonel STRNAD. I think it definitely does in this respect. Take, for instance, the cross-servicing document between central inventory control points, if one service has procured more than his share, he is subsequently required to transfer it to the other service and avoid multiple procurement. I think it has definitely, in the long run, reduced the volume of procurement that would otherwise have taken place if cross servicing had not taken place at this depot.

Mr. ROBACK. What is your experience with respect to trying to get the forms peculiar to the other services lined up for this operation?

Lieutenant Colonel STRNAD. As Lieutenant Colonel Asbill mentioned earlier, the only thing we get from the field upon which we take action is the requisition form. They are different. However, we have a flow sheet, which we have acquired for our internal operations, and that flow sheet in itself standardizes the information we use from the requisition and consequently we solve the problem at this level, rather than having it solved for us on a different form.

Mr. ROBACK. That is all, Mr. Chairman.

Mr. BONNER. Is there some further presentation?

SPACE UTILIZATION AND STORAGE

Lieutenant Colonel STRNAD. I will try to complete this quickly. I should like to touch upon the space utilization and stockage, which we feel will be of interest to the committee.

Section III of the brochure discusses space and space utilization at the depot. I would like to point out one fact, that we now have under the control of the Alameda medical depot 816,000 gross square feet of space. We have recently acquired 139,000 gross square feet at the Oakland Army base. Of that gross square footage, 485,000 square

feet is net usable space. The remainder is in nonstorage space: offices, bin storage space, aisles, receiving and shipping space. Of the net usable space as of June 30, we were 86 percent occupied. Eighty percent, roughly, is generally considered to be proper utilization for a good, effective shipping operation.

SQUARE VERSUS CUBIC FOOTAGE IN MEASURING DEPOT SPACE

Mr. CURTIS. Isn't a cubic foot a more accurate way of measuring storage space?

Lieutenant Colonel ASBILL. I have studied that off and on for 14 years at the Washington level before I came out here. The Navy, I believe, in certain instances uses cubage, but I do not know whether the former medical depots used it or not; I don't know. There are many advantages and disadvantages in that cubage. You are playing with a lot of factors, safety factors, as well as fire hazards, as well as potential space involved in that cube in front of that stack. We call it in the Army "potential space." I believe the Navy has it as "cube space." It is the height plus the potential which is in the cube.

Mr. CURTIS. I didn't want to dwell on it; I didn't mean to get into it to that extent.

Lieutenant Colonel ASBILL. As I say, I have studied it both ways, and to me it is six of one and a half dozen of the other. It depends upon what you are used to using. The Army does use "square foot" and I believe in many areas used "cubage" due to, I think, their ships in use.

Mr. CURTIS. What brought it to mind was when we were in St. Louis we were discussing the use of a certain type of building for storage, and the commanding officer pointed out that by use of a one-story warehouse they were able to utilize much more of their height, which, of course, comes down to cube scale.

Lieutenant Colonel ASBILL. You have to know your depot. For example, we store something like 24,000 tons with eight-hundred-and-some-odd thousand gross square feet. St. Louis, with a million and a half, only stores 27,000. I venture to say that in another 6 months we will have more tonnage here than St. Louis, with three-fourths of the space or half the space, but our stacks are 25 and 30 feet high.

Mr. CURTIS. Theirs are short.

Lieutenant Colonel ASBILL. Yes, sir, but you have to know your individual depot, and we have a certain stack height at the Washington level representing the storage potential of individual depots.

Lieutenant Colonel STRNAD. The last subject we would like to discuss is stockage. Since the supply support of a given distribution area is not vested solely in one Army depot due to the fact that certain items are keyed to another depot, it is pertinent, and we feel in order to present the stockage picture, that the total stockage in the Army Medical Services must be considered. Now, this, and it is also in the brochure, [indicating] represents an analysis of depot stocks—Army depot stocks—in Army medical depots. After subtracting Air Force and Navy assets from the total stock bought, we get the remaining Army Medical Service assets. These fall into two broad categories and must be considered separately, if stock position is to be understood and properly evaluated. These two broad categories are stocks which are stocks for special or nonrecurring demands, and

stocks for recurring or normal-issue demands, and I will discuss each separately.

On the special nonrecurring demands, the Army Medical Service has 23,477 tons of medical matériel on hand in Army Medical Service depots, which represent that portion of Army mobilization reserve stocks currently on hand required to support mobilization.

At Alameda we have approximately 4,090 tons of matériel which is mobilization reserve stock. The question may arise as to the need for this tonnage. The primary purpose of the Army's existence is to be prepared for war. Mobilization reserve stocks have long been recognized as absolutely essential to support the military build-up during the first year of war until industrial production can be geared to meet tremendously expanded mobilization requirements. Congress wisely authorized funds for this purpose in the fiscal-year 1951 and 1952 appropriations, and such mobilization reserve stocks currently represent 39 percent of the total stocks stored in depots.

The second broad category of nonrecurring or special stocks is equipment for tactical units and special stocks for operational projects. These projects require equipment that is expected to move immediately in the event the country is plunged into war. This category represents 15,052 tons of medical matériel. This matériel immediately must be ready for issue upon call by the appropriate commander.

The next category is some 2,046 tons of matériel held at depots for foreign-aid requirements. Foreign-aid requirements usually have to be shipped in a limited number of shipments; consequently, this requires that at the time the items are received they must be held for a considerable length of time until the remaining items come in from procurement, permitting the assembly into one large bulk shipment. This tonnage, while it is being held, increased our over-all depot tonnage, but does not add to the stocks which we have available to meet our normal-issue demands.

Leaving the subject of stockage, we get down to the tonnage, which is applicable to normal-issue demands. That is some 19,662 tons of matériel which represents 4.9 months of stock. It is these stocks and these tonnages which should be considered when determining the number of months of stock on hand, and it is the objective of the Surgeon General of the Army that depot stocks should equal an operating level of 3 months' issue demands on hand, plus 3 months on order. However, when depot stocks are reduced to months of supply on a tonnage basis, several factors which are inherent in operation of the supply system and which tend for greater stockage should be considered. Among them are the many medical items which, when purchased on a periodical basis, do not lend themselves to monthly delivery. Economies are often gained by accepting deliveries in greater increments, sometimes in 6 months' demand, and sometimes lower, and lower procurement cost economies and transportation costs can be saved. We have to accept larger increments of stock, rather than fixed monthly deliveries, which builds this [indicating] above our 3-month stockage.

The second factor is the fact that very frequently programs are curtailed, based upon directives from the very highest authority. Consequently, the stock procured for those particular programs is made available for issue demands and temporarily puts you above the 3-month stockage objective.

We also have still some unbalanced stock remaining from World War II, which pushes us up above the 3-month stockage. Finally, and probably the largest factor, is the lessening of the forecasted demands for the Korean war as a result of truce negotiations. When the fighting is heavy, then the Army procurement is heavy to meet those combat demands. In many cases, as a result of the truce negotiations, that stock is now in excess of our 3-month stockage objective.

FOUR TURN-OVERS ANNUAL OBJECTIVE

We are conscientiously attempting to realize four full turn-overs per year by means of a quarterly procurement plan in the Army Medical Service procurement agency; but, for the reasons we have stated, four full turn-overs are not always possible. An important point in connection with phased delivery, any instance of phased delivery must be weighed on the basis of increased cost and administrative workload versus the storage-space savings. In other words, although we may phase storage space by getting monthly deliveries of stock, we may at the same time spend more money procuring matériel and having the excess number of deliveries into the depot. We feel that any instance of phased delivery must always be weighed in terms of the administrative expense affecting that phased delivery.

SERVICE IS MAIN FACTOR

As a final comment relative to medical-supply systems and stockage, we feel it is extremely important that in our efforts to achieve economies we do not lose sight of the primary mission of the military medical services in peace and in war, and that is to provide a high standard of medical care to the American soldier, sailor, and airman. This is a legal and moral responsibility to the American public which cannot be minimized. The military medical services are expected to be prepared in time of emergency to expand many times in size, to provide adequate medical service in any corner of the globe where American men are fighting, under conditions varying from the frozen Arctic wastes to the sweltering heat of the jungle. This is a logistic assignment which has no counterpart in our civilian economy and can only be performed by a strong, effective supply system and adequate mobilization reserves and operating supplies.

Mr. BONNER. Colonel Asbill, at the beginning of your presentation you stated the Navy liaison officer and no representative of the Navy participated in the preparation of this brochure?

Lieutenant Colonel ASBILL. That is correct; they did not.

Mr. BONNER. Was there any particular reason for that?

Lieutenant Colonel ASBILL. No, sir. This was to have been more or less of an Army presentation; the test was run under Army rules and regulations.

Mr. BONNER. The reason I asked, I notice that each branch has a liaison officer here with you.

Lieutenant Colonel ASBILL. Yes, sir; that was only for the purpose of the hearing, Congressman Bonner. Myself and my staff of the Army prepared this.

Mr. BONNER. As I understand, the Army and the Air Force are now supplied jointly?

Lieutenant Colonel ASBILL. Yes, sir.

Mr. BONNER. I wonder if the Navy representative would like to discuss this test?

Commander BYRNE. I would like to state that the Navy has little or no presentation to make at this time. The reason is that all records, costs, and reports on this test have been kept by the Army, and they have not been available to the Navy. The only reports that the Navy Liaison Unit has received are those on workload statistics. So, naturally, until we see the final results—the cost involved—and until the effectiveness has been measured, I do not feel that the Navy is in any position to make any extensive comments or recommendations.

Mr. BONNER. Well, is the Navy working with this test?

Commander BYRNE. Yes, sir.

Lieutenant Colonel ASBILL. They are working in the liaison group; yes, sir, and they have certainly worked effectively.

Mr. BONNER. Is there any reason why the Navy has not been furnished with the information they haven't received?

Lieutenant Colonel ASBILL. We have a weekly report which we send, as the commander said, to the Munitions Board and to each Liaison Section, which gives our performance during that week. It is a report made up by the Munitions Board, which we were directed to use, and that report is furnished each week.

Mr. BONNER. That is available to all the branches of the service?

Lieutenant Colonel ASBILL. Yes, sir; it is available to everyone. These are weekly statistical reports. I believe you people have one of those. It is a yellow sheet. That is the weekly report that we give, and there are certain base reports. For example, I do not have access to the Navy base report, nor do they have access to the Army base reports, which are at the Washington level. That data was accumulated by the Munitions Board.

Mr. CURTIS. Mr. Chairman, I would like to ask a question. Couldn't you get them if you asked for them? They wouldn't make them available; am I right? You could have them if you wanted them?

Lieutenant Colonel ASBILL. I haven't any reason to ask for the Navy base reports, because the reports——

Mr. CURTIS (interposing). If the Navy asked for theirs and wanted them, they could get them; couldn't they? You mean you have wanted them and couldn't get them?

Commander BYRNE. Yes, sir.

Mr. CURTIS. The answer is "Yes." He didn't say so, but he nodded his head.

Mr. BONNER. What is the answer, Commander Byrne?

Commander BYRNE. As I stated before, the only reports we get are statistical reports of the workload. In other words, the number of requisitions received, the number shipped, and tonnage on hand. There is not a single dollar figure in that report, and those figures are not available to the Navy. They are being kept by the Army and accumulated and forwarded to the Munitions Board, but the Navy is not furnished a copy of that information.

Mr. BONNER. The Navy has a member on the Munitions Board.

Commander BYRNE. Yes, sir; I meant at this level that I did not have access to those figures.

Mr. BONNER. Do you think the exchange of information is adequate at this level?

Commander BYRNE. No, sir.

Mr. BONNER. Well, just explain it to us. At this level there should be more information on this trial test. Have you made a request?

Commander BYRNE. Yes, sir; I have.

Mr. BONNER. To whom did you make the request?

Commander BYRNE. Well, it has all been verbal requests to Colonel Asbill and also to a visiting member of the Munitions Board staff.

Mr. BONNER. Who was the visiting member?

Commander BYRNE. Mr. Gownley.

Mr. BONNER. What did he do about it?

Commander BYRNE. Well, my understanding is that the Munitions Board considers the cost figures confidential at this time and, for that reason, they are not being made available.

Mr. BONNER. What was the feeling? Is there a feeling in the Navy that the test is not being run properly?

Commander BYRNE. No, sir; I wouldn't make that statement.

Mr. BONNER. What was your answer?

Commander BYRNE. No, sir. I wouldn't make that statement; but I do feel that, in order to for us to evaluate it at a depot level, we lack information on which to base an evaluation.

Mr. BONNER. And you have made a request for it and haven't gotten it?

Commander BYRNE. Yes, sir. After all, this test is supposed to look into the field of economy and effectiveness of single-service, and I cannot evaluate that without knowing what the cost figures are.

Mr. CURTIS. Mr. Chairman, I would like to comment, if I may. I am very disturbed to hear this, because I think that the point you are making is very well taken, and if we are going to try and have a test run where these people are cooperating, and these are the people who can advise the Munitions Board as it goes along on things it has developed, if you do not get the information back you are not in a position of doing anything about it, and I am very disturbed about that, Mr. Chairman.

Mr. BONNER. Yes, sir. That is the reason I was trying to find out, Mr. Curtis. The Navy has a member on the Munitions Board, and whether, through channels, Commander Byrne had requested his representative to furnish that information and if he has and hasn't gotten the information, what is the trouble about it.

Mr. CURTIS. Maybe one of the admirals could tell us.

Mr. BONNER. Admiral Royar can probably enlighten us on that.

Rear Admiral ROYAR. This is all new to me.

Lieutenant Colonel ASBILL. Perhaps I could clear this up. I would say 5 or 6 days ago we were in the process of preparing this brochure, and when we gave it out to Commander Byrne—well, in fact, about 3 days ago when the last write-up was made. We didn't want to put it out until we had exactly all we wanted to present, and that is the first time that the request was brought to my attention, and he requested certain cost data, which we at that time, or the Munitions Board, were working on, which have not been audited and not available. Those are the cost data which will be made available to Commander Byrne at the same time it will be made available to us. Within about 4 or 5 days that will be checked up and is a part of the test.

We were never given the prerogative—maybe I am not using the proper word—as we stated in here, we do not evaluate the test here.

We give our thinking—what we think of it—and particularly as operating officers. We do not have the over-all picture; we cannot evaluate it until all the reports are in at one central place. They all do not come here; they go to the Munitions Board and are evauated there. I may be speaking for the Munitions Board, but I have heard them make the statement that they would rather have these reports remain confidential until they got all of the reports, so no one would get an erroneous picture of this thing or, perhaps, if you will pardon the slang, "kind of go off half-cocked."

Mr. BONNER. Were those the instructions you received from the Munitions Board when you set up the test?

Lieutenant Colonel ASBILL. Yes, sir; that we were not to evaluate the test, but to give the feeder reports, and I gave the feeder reports to Commander Owen, who was the officer in charge up to July 1, and have subsequently been giving these feeder reports to Commander Byrne, but I did not know he wanted other data here until after he reviewed this [brochure], which was 3 or 4 days ago. We could have that audit report ready within the next 3 or 4 days.

Mr. BONNER. Do you have anything else to say?

Commander BYRNE. I would like to elaborate a little. About 2 weeks ago, during Colonel Asbill's absence, the Navy—I will say, the naval officer requested——

Mr. BONNER (interposing). What naval officer?

Commander BYRNE. The individual happened to be Commander Owen, acting for me. Commander Owen is the gentleman whom I relieved. I have only been at this job since last month, and he is still available in this area as an adviser, let us say, in connection with the test.

Mr. BONNER. Where is he now?

Commander BYRNE. He is stationed at the Twelfth Naval District and spends his time here at the Alameda Depot.

Mr. BONNER. Is he around here?

Commander BYRNE. I did not see him today.

Mr. BONNER. Have him available this afternoon. Are you going to testify something about what he told you?

Commander BYRNE. Yes, sir.

Mr. BONNER. We had rather have that from him. You understand why we want to have it first-hand?

Mr. CURTIS. Mr. Chairman, could I ask a question? Colonel Asbill, have you been with this test since its inception?

Lieutenant Colonel ASBILL. Yes, sir.

Mr. CURTIS. And have you Colonel Strnad?

Lieutenant Colonel STRNAD. Yes, sir.

Mr. CURTIS. And Major Dull?

Major DULL. Yes, sir.

Mr. CURTIS. So, the only one who hasn't been with it since its inception has been you, Commander Byrne?

Commander BYRNE. Yes, sir.

Mr. BONNER. Why was the other commander removed from the test?

Commander BYRNE. On the 1st day of July, the management control of the medical depot was changed from the Bureau of Medicine and Surgery to the Bureau of Supplies and Accounts. That was in ac-

cordance with a directive to integrate all naval supply into one system, and this is the final integration now that Medical has gone into that supply system——

Mr. BONNER (interposing). That is one of the things this committee recommended.

Commander BYRNE. Yes, sir. Incident to that change-over the command, or the officer in charge of the depot, became a supply officer, rather than a Medical Service Corps officer. In other words, supply officers operate under the Bureau of Supplies and Accounts.

Mr. BONNER. It is most unfortunate that the commander was changed or removed.

Commander BYRNE. He was removed from the job, but he remained in the area and came to the same office every day and was available for consultation and advice and recommendations and so on. He also stated that he was only one officer of many who were stationed at the depot that still remained there.

Mr. BONNER. Not quoting Commander Owen, but what has been your observation of the test since you have been here?

Commander BYRNE. In what respect, sir.

Mr. BONNER. In assuming Commander Owen's responsibility?

Commander BYRNE. I have not encountered any great difficulties in relieving him of his responsibilities.

Mr. BONNER. With regard to obtaining information regarding the test?

Commander BYRNE. I don't know that there has been any change in the availability of information.

Mr. BONNER. It has not been available to you, does the committee understand?

Commander BYRNE. I think everything that was available to Commander Owen has also been available to me.

Mr. BONNER. Then, does the committee understand that there has not been enough information given to Commander Owen or to you?

Commander BYRNE. Speaking for myself, I say that I have inadequate information on costs; I have none whatever as to the cost of the combined operation.

Lieutenant Colonel ASBILL. I would like to say something at this time.

Mr. BONNER. Yes, Colonel.

Lieutenant Colonel ASBILL. The same reports that Commander Byrne is talking about here have not been completed. They are not available to me either, or the Air Force as far as that is concerned. So, I cannot see where the—this is news to me if Commander Owen has asked for some reports on any aspect of the test and did not get them. Maybe some of my staff were a little bit overcautious, because I was gone, or something like that, but I believe that Commander Owen will tell you and I think Commander Byrne will tell you that anything they have asked me for, we have attempted to give them. As I say, this is more or less—that is news to me, because I do not have the reports available myself; they have not been completed.

Mr. BONNER. The reports Commander Byrne is talking about, they are not available to you?

Lieutenant Colonel ASBILL. Well, they are available to me, but I mean they have not been written up. They wouldn't mean anything to me in the state they are in now.

Mr. BONNER. They have not been compiled?

Lieutenant Colonel ASBILL. Yes, sir; that's right. That is why I said in 4 or 5 days we would be able to forward them to the committee.

Mr. BONNER. Admiral Royar, has the Navy been in favor of this test from its inception?

NAVY NOT OPPOSED TO MEDICAL TEST

Rear Admiral ROYAR. From my own personal viewpoint, I feel that the Navy is in favor of any operation that is going to save money. As I said before, we have not yet had an opportunity to evaluate this operation. If it proves to be economical and gives good service and saves money, we are going to buy it 100 percent.

Now, on this little discussion that we have had here, I think probably there is a little misunderstanding. I do not think that our local people on the depot level ever anticipated having to evaluate the test. I do not think they ever believed they would have to do that or be put in that position, and, as a result, they never accumulated any figures—any cost figures—or anything of that sort. When they heard this subcommittee was coming out to have a hearing and they learned they would probably have to make some evaluation or give some opinions, then they tried to get the figures or information upon which to make an evaluation, and I think that is where this misunderstanding came up. I do not think there is any lack of information with regard to operation of the test here. I think there is plenty of cross-information on that, but when it comes to evaluating the cost, that is where the misunderstanding came about. I think it was a plain misunderstanding.

MUNITIONS BOARD TO EVALUATE TEST

Mr. BONNER. The evaluation will be done by whom?

Rear Admiral ROYAR. The evaluation probably will be done by the Munitions Board.

Mr. BONNER. On another level?

Rear Admiral ROYAR. Yes, sir; on another level. I do not think there is any criticism at all as to lack of information on the operating level whatsoever. I think that has been going along all right; is that correct, Commander Byrne?

Commander BYRNE. Yes, sir; I think it is, by and large. Perhaps we are not intended to have those figures. The figures appear to be identical with the cost of the operation of the Army depot here, as I understand it, and a monthly report has been submitted to the Munitions Board since the month of November, and the only one not completed is for the month of July. Now, of course, those figures are available to the Army.

General TANSEY. I would like to interpose a word, Mr. Bonner. I think this is very unfortunate.

Mr. BONNER. I think it is very unfortunate, too.

STATEMENT OF MAJ. GEN. P. H. TANSEY, ASSISTANT CHIEF OF STAFF, G–4

Major General TANSEY. There appears to be a difference of opinion.

Mr. BONNER. I am glad to hear you say that.

Major General TANSEY. I will say this: I will agree with Rear Admiral Royar that there should be an exchange of information on all levels on this problem. I want to make it positive. When I go back, if the Munitions Board has written a directive in such a way as to send this forward by trying to keep it classified or hidden from anyone, I think it is wrong. The Navy people will at some time later on—we are not ready for it now—be called upon to evaluate the operation here, and then the people in Washington will want to know what these people think about it. I see no objection to an interchange of information, and I say now I will turn over to Admiral Royar, and he can turn over operational data and cost data of his depot—we want to solve this problem and make a real test.

Mr. BONNER. It is most unfortunate that this atmosphere is here, though.

Major General TANSEY. It may be misdirected, because I do not believe there was——

Rear Admiral ROYAR (interposing). So far as I know, they went direct to the Munitions Board.

Mr. BONNER. Well, we will let that matter rest a while.

Now, do you have some other presentation to make, Colonel Asbill?

Lieutenant Colonel ASBILL. No, sir; I believe that covers everything we have to present.

Mr. BONNER. Commander, do you have any special statement you would care to make further about this matter? You have only been here a month, and I am sorry that the other gentleman isn't here who has been in this operation from its inception. It is disappointing that that happened before the test was completed. That is one of the unfortunate things about the rotation system in the services. A man gets in a job and about half finishes and then goes into something else.

Mr. BROWNSON. I do think, Mr. Chairman, in all fairness, they did keep the man in the general area where he has been able to come to the office every day.

Mr. BONNER. I am sorry he isn't here.

Mr. BROWNSON. I am, too.

Captain JORDAN. Commander Owen is no longer attached to the base. He has been kept in the area to lend such assistance as possible to Commander Byrne in the operation which he has recently taken over, but he is now attached to the inspector's medical activities on the west coast so as to keep him in the area and make available his experience.

STATEMENT OF MAJ. CLARENCE RETSKY, REPRESENTATIVE OF THE MUNITIONS BOARD

Major RETSKY. I represent the Munitions Board. I wish to clarify a situation regarding the Munitions Board. There has been no statement, signed or verbal, to the effect that this information would not be put out. This information is available to all concerned, and has

been available to all concerned to the best of my knowledge. I came here, and the request which Commander Byrne speaks of for the information was made yesterday, which was the first knowledge we had that the Navy didn't have that information or was not getting that information. As a member of the group evaluating this test, we also have a Navy member, a Commander Abernathy, and that information has been available to him at all times. So, I feel sure, perhaps there is a misunderstanding in a rather general way.

Mr. BONNER. Is there any further presentation to make? What observation would you care to make, Major Dull, for the Air Force?

STATEMENT OF MAJ. J. E. DULL, MEDICAL SUPPLY DEPOT, AIR FORCE LIAISON

AIR FORCE 100 PERCENT IN FAVOR OF TEST

Major DULL. So far as the Air Force stations out here, from the depot on down, I know personally that they are 100 percent in favor of this test. They have received excellent service from this depot and they are more than happy with it. So far as the cooperation for any information which we have requested is concerned, Colonel Asbill has furnished it to me without any delay. That is about all I have.

OPINIONS SOUGHT FROM HIGH-RANKING OFFICERS

Mr. BROWNSON. I would like to have an expression from the high-ranking members present as to what their investigation of this experiment to date has indicated to the best of their knowledge that has been developed up to the present time. I think it would be an excellent thing to include a statement at this time such as any representative of the three services would care to make on the basis of their knowledge of the experiment to date as transmitted to them through their own command channels from the participating unit.

ARMY POSITION

Major General TANSEY. I would like to make a statement in answer to several questions that were not probably fully answered. One was the question which was brought up about the delay in getting the test started. That delay, of course, was not due to the depot commander here. As soon as the decision was made to start this test, I think my office telephoned him very shortly thereafter—probably the same day—so he was alerted and it was confirmed as fast as the mail would get it to him. The Surgeon General's Office was also informed.

I think the delay was due entirely to the Army's position that if this was to be a test, it should be a real test and not some test of the depot in Atlanta or two or three others that were suggested. Those matters on a high level cause considerable discussion and agreement upon the Munitions Board level and among the Secretaries. The Army proposed that we try the west coast because that would be a test to support in time of war—support the Korean operation, the Navy fleet in the Pacific and a large area of the Air Force—and that was the reason that we suggested this particular place. Another point I would like to make is the point which I think is well taken and disturbed me a little bit and that is the point Mr. Ward brought up about

the questionnaires. It is a very general thing and I think it can be improved. I think I will initiate action with the Munitions Board to make it more positive and definitive—pin-point it. I do not think everyone in the field had the same yardstick, as Mr. Ward expressed; they were not thinking in terms of the same service or a monthly basis or a percentage basis of logistic support. I think that can be improved upon and I will initiate action when I get back to see if that can be done.

The Army at this time is not prepared to make a statement as to the evaluation. That will be at the Munitions Board level anyhow, based upon reports from the various services, the Joint Chiefs of Staff, the Munitions Board staff, and the Comptroller, who are looking into the economy that a test like this might prove to be in the future. So, we do not feel that we can at this time give you an evaluation. However, I would like to emphasize the point brought out so clearly in the last sentence or two of Colonel Strnad's presentation and that is, that we are interested in a system that will not fall down in time of war. You could have tests, perhaps, in smaller areas in peacetime, but the Army wants to be sure that it will have a logistic support in time of war.

We are very much interested in and behind 100 percent the saving of money and pushing the objectives of this subcommittee. We, however, do not want to move into any field, regardless if we can save a few dollars or spending a few dollars, and reduce the combat effectiveness of our troops along that line.

There is one other point, even though you went into a full service depot for all three services in this area, at this level there comes a point when the depot commander's hands would be tied and I refer to the supply of equipment or supplies which are critical in nature and need to be allocated. Decisions of a nature like that in time of war would have to be made at a joint level and the only agency I know to make those decisions at the present time with the authority they have is the Joint Munitions Board Allocations Committee of the Joint Chiefs of Staff. So, if you are in short supply, you still have problems in setting up an agency, whether it was one service or joint service, you still require allocations at a higher level, where the agency would be in close touch with the priorities of the Joint Chiefs of Staff, covering the combat operations at the time.

Mr. CURTIS. You are talking now about over-all supply and not a shortage that might be in the distributive system which this level would reflect?

Major General TANSEY. This particular depot would be supporting a very critical one——

Mr. CURTIS (interposing). Yes, but I mean in its distribution, not necessarily an over-all supply. If they were found to have a shortage of over-all supply that would be inquired into?

Major General TANSEY. Well, the supply control point would come into the picture and if it were not nationally available.

STRENGTHENING MUNITIONS BOARD

Mr. BONNER. General, along the line you were addressing yourself to this subcommittee, this subcommittee has repeatedly stated that it did not want to do anything to injure the striking effectiveness of the armed services, and repeatedly this subcommittee has made observa-

tions on the activities of the Munitions Board. If you will remember, back some time ago we asked several times if the Munitions Board didn't need strengthening. At an appearance of the Secretary before the subcommittee, the following occurred:

Mr. BONNER. Mr. Secretary, this statement at the bottom of page 9 strikes me very forcefully and I think it will strike the Nation most forcefully, your statement: "I agree that there is room for improvement."

LOVETT'S STATEMENT ON MUNITIONS BOARD INADEQUACY

And the Secretary, speaking of the functions of the Munitions Board, goes on further and I quote:

I believe that the present concept of the Board would prove inadequate under full mobilization.

SUBCOMMITTEE WORKING ON MEDICAL SUPPLY SINCE MAY 1951

So, therefore, this subcommittee initiated and introduced legislation to improve the Munitions Board, and the Senate became interested and picked it up, and as a result of that there is legislation on the books that has greatly strengthened the functions of the Munitions Board.

I would like to call the attention of the subcommittee and you gentlemen here to the fact that Congressman Shelley, of San Francisco, who held the initial hearings on medical supply in Brooklyn on May 1, 1951, is now with us. A great deal of credit is due Congressman Shelley for the progress which has been made in this field. Congressman Shelley has been absent due to some conditions beyond his control, but the subcommittee is happy that he has now joined us.

Mr. BROWNSON. I wonder if any of the other general officers or admirals have a statement they would like to make?

STATEMENT OF MAJ. GEN. DAN C. OGLE, DEPUTY SURGEON GENERAL OF THE AIR FORCE

TEST WORKING WELL FOR AIR FORCE

Major General OGLE. As this subcommittee knows, this test has not altered the medical supply system of the Air Force. Speaking for the Office of the Surgeon General, the Medical Supply Services have been entirely in favor of it and they have taken the opportunity of sending people here for preliminary evaluation of the test. They have no objection to it and it is certainly working admirably as far as they are concerned and our supply service has been quite satisfactory since the supply stock record accounts have been placed in the Army depots. I have no further comment.

STATEMENT OF REAR ADM. T. EARLE HIPP, SUPPLY CORPS, COMMANDING OFFICER, NAVAL SUPPLY CENTER, OAKLAND, CALIF.

NAVY INTEGRATED MEDICAL SUPPLY WITH OTHER COMMON SUPPLIES

Rear Admiral HIPP. I am Rear Adm. T. E. Hipp, Commanding Officer, Naval Supply Center at Oakland, of which this medical and dental supply depot became a component on the first day of July of this year. I would like to say here, as a component of the naval supply

center at Oakland, we are and have been supporting this test to the utmost. I would like to also reassure the committee that the change in the officers in charge of the depot—and we all recognize that Commander Owen was a very able officer and did a wonderful job there as officer in charge of that depot—however, I can assure you that the service and the operation of that depot will not suffer since it has become a part of the Navy supply center. They have been very close neighbors of ours all the time. There has been a utilization of common services and it isn't like two strangers getting together. Our personnel—they know us and we know them. The Naval Supply Center is so designed it can undertake this job and do it. I assure you, Mr. Bonner, and the other members of the committee, that we will support this test to the utmost.

Mr. KENNEDY. I would like to ask Admiral Royar if there is any plan at this level with regard to the return of the stocks at the conclusion of the test on August 31 that would give an indication of what the Navy's attitude was during, we will say, the last 3 months, as to what would be the disposition of those stocks at the end of the test.

Rear Admiral ROYAR. Well, you may know the directive is out that there will be no movement of the stocks until the test has been evaluated. Therefore, we will continue to support this depot, and it will operate as it has been until——

Mr. KENNEDY (interposing). Not until the final operation is over. Do they have the directive at this level at this time?

Commander BYRNE. Yes, sir.

Mr. KENNEDY. If you keep the stocks here in this area, what plans do you have for the naval depot, which is on a stand-by basis?

Rear Admiral ROYAR. We cannot make any permanent plans until the test is finally evaluated and we know what final arrangements will be made; whether this will be made a permanent operation or whether we will go back to the other operation.

Mr. KENNEDY. There has been some mention in Washington of a problem area in the test with regard to the Navy on the number of requisitions coming back "not in stock"—NIS, I believe they call it. I was wondering if the Navy feels that it is getting adequate support under the test at the present time?

Commander BYRNE. Any stocks available for issue to the naval activities have come from the Oakland depot. If an item is NIS, it is the Navy's responsibility. Now, I know the matter to which you are referring. It happened that the Navy's NIS position was perhaps larger than it should have been, but there were reasons why it was that high. One was that there are what we call newly established items, which come into the system every month; new items, such as drugs or medical stores of one kind or another, which are added to the catalog. In the past—until recently—it has been the policy for naval activities to requisition those new items immediately when they appeared in the catalog, yet the item would not be available at a depot maybe until 6 or 9 months later due to procurement problems. So, all of these items that are requisitioned by naval activities, the depot has an obligation even though there has never been any of that item in stock. Another reason why the Navy NIS figure was high is that we had a system of rationing. If we got to a low level of supply and, let us say, an activity requisitioned 12 of an item, we might send them

3 and keep the other 9 for issue to other activities. When we did that, it established an obligation even though some of the items had been provided through the requisition activity. Actually the NIS position of the Navy, we will say of July 1, I know it was excellent. I think there were only about 10 items which were NIS throughout the medical supply system.

Mr. KENNEDY. Do you have a few examples of the type that you have mentioned?

Commander BYRNE. A newly established item——

Mr. KENNEDY (interposing). NIS.

Mr. SHELLEY. What were the type of items that you have just mentioned of the 10 that were NIS as of July 1 that you can recall?

Commander BYRNE. I am sorry, I can't tell you what they are. Maybe Captain Jordan would know.

STATEMENT OF CAPT. L. G. JORDAN, UNITED STATES NAVY

Captain JORDAN. I cannot tell you the identical items, but no procurement is authorized until an item is standardized. The catalog usually comes into the hands of the customer and reflects the additional new items in advance of delivery of the items under contract. The field activity seeing the item in the catalog, may ask for it and it is then back-ordered and will be furnished to that activity when it becomes available for delivery under a contract.

Mr. KENNEDY. Do you feel that the organization as set up here at Alameda for the institution of this test is unified enough in character to lend itself to stabilized integration if the test were to be successful? For instance, it would appear from the chart that you have, the Army organization and the liaison of the Navy and Air Force is merely two tails added to the kite. A question by the Congressman earlier was answered by stating that the executive officer was an Air Force man. It would seem that some organization of that type would be a help in monitoring the activities of the agencies. Do you have any comment on that?

Lieutenant Colonel ASBILL. I have my personal comment on this. I believe back as far as 1947 we recommended something along this line be jointly staffed. I think it would lend to a much better operation if it were jointly staffed with the Navy as well as it is now with the Army and Air Force. For example, we have about 15 Army officers and about 6 Air Force officers in various and sundry positions in the depot and there are, more or less, 3 you might say, attached in this Navy liaison. I really believe that you could have an executive officer who could wear any uniform as far as I am concerned or an adjutant or stock-control officer. Certainly it would not make a bit of difference to me. I believe it would certainly lend to perhaps a little closer cooperation.

Mr. KENNEDY. Commander Byrne, in your experience here, do you have any comment? Do you feel you would have been placed in a more participating role had it been integrated, rather than as it was set up?

Commander BYRNE. I think the set-up that exists was satisfactory, and while I think that the three services could provide a staff through unified operation, the fact that it is essential, I would say that under a unified operation, all services provide personnel. Yet, I do not

think it would be satisfactory to rotate the command between the services.

Mr. KENNEDY. For the period of the test is all that I was directing my remarks to.

Has the Air Force had any representatives come out here with regard to the stockage and requisitioning study which they are carrying on back in the Department? Have they looked into the stockage objectives and requisitioning cycles as set up in this medical test to your knowledge?

Major DULL. I do not quite get the point you are trying to get across.

Mr. KENNEDY. Under Secretary Gilpatric indicated that King's study is being carried on—that was a study under Mr. King in his office—to a reevaluation of stockage objectives and a cut-down, possibly, in the requisitioning cycle for supplies. I should like to inquire if, since this is a small area and a test is going on, whether or not any representative of the Air Force affiliated with that study had appeared in this area.

Major DULL. I believe they have not, sir.

Mr. BONNER. If there are no further questions, I want to thank the colonel and the staff which made the presentation this morning and for the courtesies which you have extended to us here today. This is a very important and interesting test and we are looking forward to the final evaluation of what has been going on here.

(Thereupon, the subcommittee was adjourned.)

(Alameda exhibit 1 follows:)

ALAMEDA EXHIBIT 1

PRESENTATION OF THE DEPOT COMMANDER AND STAFF OF THE ALAMEDA MEDICAL DEPOT ON THE MUNITIONS BOARD MEDICAL SUPPLY SUPPORT TEST, AUGUST 22, 1952

SECTION I. GENERAL INFORMATION RELATIVE TO THE ALAMEDA MEDICAL DEPOT

1. *Historical background.*—On November 21, 1951, by direction of the Surgeon General, United States Army, the Alameda Medical Depot, Alameda, Calif., assumed the distribution mission of the San Francisco Medical Depot which had been a source of medical supplies for the Army since September 25, 1861.

2. *Description of site.*—The present location at Alameda consists of an area of 99.49 acres, bounded by the Oakland estuary on the north side and a 7½-foot standard industrial chain fence on the other three sides. The depot was constructed during World War II at a cost of $10,800,000 and housed the Pacific Overseas Depot, which handled Air Force supplies. After World War II it was held by the Army in a stand-by status with partial occupancy by the California National Guard. There are five warehouses on the premises, three occupied by the Alameda Medical Depot totaling 677,000 square feet, one warehouse of 321,000 square feet occupied by the San Francisco Quartermaster Market Center, and the other of 178,000 square feet occupied by the California National Guard. At the Oakland Army Base, 138,000 square feet have been allocated to the Alameda Medical Depot as a dispersed storage area.

3. *Organization.*—The Alameda Medical Depot is a class II installation under the jurisdiction of the Surgeon General, United States Army, and as such has the responsibility for furnishing the usual post services. These services are provided not only for the medical depot, the major tenant, but also the San Francisco Quartermaster Market Center, the California National Guard units and activities assigned to the station, and the Sixth Army Central Dental Laboratory, soon to be transferred to this location.

The permanent organization of the Alameda Medical Depot is set forth on chart 1. The Depot Commander is assisted by an executive officer, a special staff, and a management office. The usual service elements are present: Adjutant's

office, civilian personnel office, fiscal office, and the miscellaneous services of depot property, dispensary, and security. The major service and housekeeping elements are organized into two divisions—Transportation and Depot Facilities. The major line and mission elements of the depot, which comprise the bulk of personnel assigned to the depot and perform the functions which are of primary interest to this committee are the Stock Control Division, the Storage Division, the Depot Maintenance Shop Division, the Optical Division, and the Purchasng Division. It will be noted that the Air Force liaison officer and the naval review and liaison unit occupy positions directly under the commanding officer.

4. *Mission.*—The primary mission of the Alameda Medical Depot is to receive and store all classes of medical supplies (except key items for which this depot is not the key) for issue to installations within the regional distribution area comprising the States of Washington, Montana, Oregon, Idaho, California, Nevada, Utah, and Arizona, and for shipment overseas through the San Francisco and Seattle ports of embarkation. The shaded portion of this map is the geographical area served by this depot. Oversea commands based upon this depot include the United States Army Pacific, United States Army, Alaska, United States Air Force, Alaska, the Philippine-Ryukyus Command, and the Far East Command, which includes the security forces in Japan and the combat forces in Korea. Since the medical supply test, the Alameda Medical Depot has supported all Navy ships and land-based activities in the same general area.

The principal secondary missions of the Alameda Medical Depot include:

a. The operation of a depot maintenance shop for the reclamation and repair of unserviceable medical service property.

b. The operation of an optical shop for the fabrication and repair of spectacles for Army and Air Force troops in the distribution area served by this depot. The Munitions Board general plan for the conduct of the test did not include in the test the mission of supplying spectacles to Navy troops.

5. *Personnel.*—Personnel assigned to this depot, including attached Navy personnel, are tabulated below by office and division. Strengths are as of July 31, 1952.

TABLE I.—*Alameda medical depot, actual personnel strength as of July 31, 1952*

Division or office	Total		Military		Civilian	
	Army and Air Force	Navy	Army and Air Force	Navy	Army	Navy
Depot commander and executive	4		3		1	
Safety director	2				2	
Intelligence officer	1		1			
Management office	4				4	
Adjutant's office	21		2		19	
Civilian personnel office	16				16	
Fiscal office	14				14	
Depot Property Branch	13		1		12	
Security Branch	33				33	
Dispensary	3				3	
Transportation Division	15	2	1		14	2
Internal Rail Branch	12				12	
Motor Pool and Maintenance Branch	14	7			14	7
Post engineer	87		1		86	
Stock Control Division (includes Air Force liaison)	78	8	9	1	60	7
Storage Division	257	62	9		248	62
Maintenance Shop Division	23	4	3	4	20	
Optical Division	20		13		7	
Purchasing Division	12	1	1		11	1
Grand total	629	84	44	5	585	79

6. *General observations of the medical supply test.*—A detailed presentation of test operations will be made by a member of my staff. I would like to preface that presentation with a few observations which are considered pertinent in evaluating these operations. This depot is a relatively new activity; movement of stock, personnel, and equipment from the San Francisco Medical Depot was not completed until December of 1951. The support of the Army and Air Force activities based upon this depot was continued without interruption during the move, which involved the transfer of approximately 10,000 tons of medical ma-

tériel alone. On December 29 the Department of Defense directive which officially ordered the test at the Alameda Medical Depot was signed by the Chairman, Munitions Board. That directive, and the approved Army detailed operational plan, was forwarded to this depot on January 11, 1952, by the Surgeon General, United States Army, with instructions to commence full-scale operations on February 15, 1952. That date was subsequently extended to March 1, 1952, to permit completion of stock movement from the Oakland Naval Medical Supply Depot. Hence, this depot, which had just completed a major move and undergone a reorganization based upon its new post responsibilities, was required to undertake a new and different mission of major proportion, the medical supply support of the Navy. Needless to say that depot performance, while it has come up to the expectations of higher authority, could have been better had a reasonable shake-down period been permitted prior to the commencement of test operations. We have had to perfect our own organization and procedures on one hand, while at the same time conducting and reporting upon a medical supply test of considerable magnitude and significance. The selection of this depot was unquestionably justified, however, since it was desired that the test be conducted in an area where Navy population would be of sufficient size to produce a test of real significance, and in supply of an active oversea theater. Neither St. Louis, Atlanta, nor Schenectady qualify under these criteria.

SECTION II. SUPPLY OPERATIONS UNDER MEDICAL SUPPLY TEST

7. *Scope of presentation.*—We will attempt to present for your information all of the test operations conducted here together with some aspects of this installation in relation to the mission of the Medical Supply Service as a whole.

8. *Preliminary preparations.*—With the receipt of directives officially ordering the test at the Alameda Medical Depot, movement of Navy stock from the Oakland Naval Medical Supply Depot commenced approximately January 15, 1952. It had previously been agreed the stock would be moved by Government vehicles palletized to expedite delivery into storage. In anticipation of the receipt of Navy stock, space had been allowed in stacks for like items to avoid multiple locations. The transfer of approximately 5,000 items weighing 1,204 short tons representing an estimated 3 months' issue demand of the Navy was accomplished without difficulty. Training of Navy personnel to be loaned to the Alameda Medical Depot for the test period was accomplished in advance, with the result that the depot was prepared to receive Navy requisitions on March 1, 1952.

9. *Organization.*—The organization of the Alameda Medical Depot described previously has been relatively unchanged by the assumption of the Navy support mission. A Navy liaison office has been established to provide coordination with the Oakland Naval Medical Supply Depot and to effect necessary supervision and control of issues to naval activities. Requisitions and shipping documents have been processed by the Stock Control, Storage and Transportation Divisions under existing Army procedures, modified only slightly where necessary to accomplish unique features of fleet support.

10. *Requisition and shipping document flow.*—Chart No. 2 depicts requisition and shipping document flow under the test. Requisitions are received from Army, Navy, and Air Force activities and channeled immediately to the respective liaison officers for screening prior to supply action. This screening assures compliance with issue policies of the individual services and permits effective control of station supply operations. Any requisition considered by the liaison officer to be excessive, or insufficiently justified, is returned over the signature of the liaison officer. If the requisition is considered in order, it is forwarded immediately to the Stock Control Division for processing. It will be noted that the major operational functions of the depot, namely, stock control, storage, transportation control, and shipping, are unified functions operating under identical procedures for Army, Navy, and Air Force. Within these functions, the priority of handling requisitions and shipping documents is based strictly upon urgency of need as indicated by required date stated on the requisition.

11. *Stock accounting and control.*—The Department of Defense directive pertaining to the Alameda medical supply test provided that plans for the test would observe the principle of triservice stock ownership and issue control. A clear understanding of stock accounting and control under the test necessitates that some time be devoted to the explanation of this principle and the reasons for its observance. At the time the medical supply test of single service supply operations was conceived, the Army was already providing medical supply support to the Air Force from the Army medical depots on a common service basis under provisions of official Army and Air Force agreements. Air Force personnel

participated in the operation of these depots; command control of the depots, however, was vested in the Surgeon General, United States Army. In order to obtain maximum utilization of available warehouse space, the Army and Air Force stock in these depots was not segregated by service. It was, however, accounted for separately on paper to assure that stock programed and procured by one service was available for issue to that service. Stock account 11 reflected Army item assets; stock account 13 reflected Air Force item assets. Since this mode of operation was considered the only way to operate a triservice depot successfully, the Navy was included in the partnership on the same basis. Accordingly, the Navy was assigned stock account 15.

12. *Single service supply operations with triservice stock ownership and control.*—Chart No. 3 is intended to portray in a pictorial manner unified single-service supply operations with triservice stock ownership and control. The respective departments, based upon directives from the Joint Chiefs of Staffs, develop their operational plans and compute their own quantitative requirements for each item. These requirements are based upon departmental experience in the type of operations involved and are intended to be no more or less than is required for successful performance. It should be noted here that requirements are developed on the basis of strength to be supported, and contrary to general belief, single-service supply operations do not serve to reduce the volume of the procurement pipeline which can vary only in direct proportion to strengths being served. These requirements are forwarded in the form of purchase instructions to a single procurement agency (the Armed Services Medical Procurement Agency) where they are consolidated into a single contract, ordinarily using identical specifications. Contracts are placed with industry on a competitive basis and due to the fact that the total military requirements are included, result in lower production costs and more attractive prices to the Government. Deliveries are made on these contracts into unified single-service depots where all stock is stored on a nonsegregated basis. Army stock is accounted for on paper in stock account 11, Air Force stock in stock account 13, and Navy stock in stock account 15. Issues from these accounts are controlled by the appropriate departmental liaison officers on duty at the depot to assure conformance with departmental issue policies and actual operational needs. Under this concept of single-service supply operations, it will be noted that major supply functions of procurement, production, storage, distribution, and maintenance are unified and offer the advantages and economies inherent in elimination of duplicating services. The triservice functions which are retained are planning, requirements determination, and issue control. Although a minimum of personnel are required to perform the triservice supply function under this principle of single-service supply operations, the Congress may hold each individual service primarily responsible for its own supply program and still achieve the benefits of unified supply operations. There are some who advocate the pooling of stocks in common depots without maintaining separate accounts for the stocks belonging to each service. Such a system was in operation at the beginning of the Korean war and found to be unworkable in time of emergency. At that time the Army and Air Force Medical Services jointly owned all medical stocks in Army medical depots. While each had a dollar equity in total stocks, neither had any specific claim on available stocks of individual items. Requisitions were filled from available stocks on a first-come-first-served basis. It was quickly discovered that as the medical programs of the two services expanded in support of the Korean action, no reasonable solution could be agreed upon to allocate available stocks of critical items at depot level in a manner equitable to each service. The first-come-first-served procedure was unfair and logistically unsound. The earmarking of stocks on paper in separate stock accounts proved to be an easy, inexpensive, and satisfactory solution. It is natural, therefore, that the planning for the Alameda medical supply test took cognizance of this valuable experience and incorporated in the test directive the stipulation providing for the observation of the principle of triservice stock ownership and control.

13. *Performance data.*—While it is not intended that this depot evaluate the success or effectiveness of medical supply support rendered to the three services during the test period (this task has been assigned to the Munitions Board by the Secretary of Defense), it is believed that certain performance reports and statistics will be of interest to the committee.

a. At the direction of the Munitions Board, questionnaires have been forwarded to all activities supplied by this depot during the test. While all questionnaires have not as yet been returned, those that have been completed and returned reflect the following picture:

(1) Out of 21 questionnaires completed by Army activities, 19 indicated supply support rendered during the test was very good, 2 adequate, and 0 not good.

(2) Out of 19 questionnaires completed by Air Force activities, 18 indicated supply support rendered during the test was very good, 1 adequate, and 0 not good.

(3) Out of 81 questionnaires completed by Navy activities, 43 indicated supply support rendered during the test was very good, 37 adequate, and 1 not good.

If the above reports are indicative of those to follow, it is not unreasonable to conclude that the mode of operation at this depot has provided effective supply support to the three services. This is in part true because each service controlled its own stock in an account and was able to establish priorities and policies for their issue.

b. Since the validity of any conclusion based upon an incomplete survey may be questioned, it is considered appropriate to present certain performance statistics gathered during the test which reflect quality of customer service. A depot which furnishes all necessary items and quantities requisitioned by the required date specified by the requisitioner may be considered operationally perfect insofar as customer service is concerned. Hence any instance wherein an item or quantity is not supplied, or supplied after the required date specified by the requisitioner, is considered a supply deficiency. In the Army two statistical means are utilized to measure such deficiencies and provide a basis for evaluating quality of customer service: requisition lines established on due out and requisition lines shipped late.

(1) *Requisition lines established on due out.*—When a requisition line is received for an item in an out-of-stock position, it is ordinarily extracted to another source or placed on dues out. A due out thus may be considered a clerical means of maintaining a requisition line active until stock is received permitting shipment. It is a recognized device used throughout the military services as well as industry to preclude the necessity for rerequisitioning. It should be noted and clearly understood that a requisition line established on due out, while technically a supply deficiency, does not necessarily result in a failure to provide proper medical care for patients. A due out becomes serious only when supplies desired fail to reach the requisitioner by the required date, stock levels at the station are exhausted, and the item is one for which there is no acceptable substitute. Chart 4 depicts the camparative significance of dues out in the over-all picture of supply operations during the first 5 months of the test operations. Out of 211,373 requisition lines received from the Army, Navy, and Air Force during the period March 1 through July 25, positive supply action was taken on all but 12,576—roughly 5.95 percent. This 5.95 percent was established on dues out, to be supplied as soon as stocks were available. In order to determine the length of time an item remained on due out, a study was made of all dues out established during May and June. This study revealed that 49 percent were released within 1–15 days after establishment, 27 percent were released within 16–30 days after establishment, and only 24 percent remained on due out longer than 30 days. From the above facts, the following conclusions can be drawn:

(a) This depot has been able to take positive supply action on all requisition lines received except on a relatively minor percentage of lines; which resulted in the establishment of dues out.

(b) The large majority of requisition lines established on dues out were subsequently released for shipment within 30 days after establishment and consequently should not have resulted in a supply shortage at consumer level.

(2) *Requisition lines shipped late.*—A late shipment is a line shipped too late from the depot to reach the requisitioner by the required date specified by him on the requisition. Even though the required date may be unreasonably early and the shipment only a few days late, for statistical purposes the Army considers such a line late. It should be recognized, however, that shipment received by a station a few days after the required date does not necessarily result in a supply shortage affecting the care of the patients. Recording late lines is primarily a statistical means for determining the extent to which the depot has fallen short of 100 percent efficiency in the performance of its mission. This chart reflects the relative significance of late shipments in over-all supply operations by months during the period March 1

through July 25. It will be noted that the highest percentage of late shipments to total lines shipped was in the second month of the test—April—and then only reached 15.2 percent. During the most recent month reflected on the chart—July—late shipments have fallen to 4.3 percent of total lines shipped. During the month of March, 1,219 lines, or 33 percent of total late shipments, were due to depot operational difficulties. This figure has steadily dropped to a low of 19, or 1.2 percent of total late shipments, during July. The question naturally arises as to the other reasons for late shipments. The following analysis provides the answer. Of the total late shipments which were made during the period March 1–July 25:

37.46 percent of the late shipments, or 3.86 percent of total lines shipped, were due out releases. The establishment of dues out has been explained previously. When a dues out is released and shipped too late to reach the requisitioner by the required date, it is recorded as a late shipment, regardless of whether the item shortage was the result of a strike at the manufacturer's plant, as a simple case of requirements miscalculation.

33.46 percent of the late shipments, or 3.45 percent of total lines shipped, were due to late receipts of extract requisitions from other depots and the Requirements and Stock Control Branch in Brooklyn, N. Y. In order to assure proper support to the Korean effort, the Requirements and Stock Control Branch has on occasion shipped more stock of certain items into this depot than was subsequently called for by the theater. In order to reduce these stocks and satisfy requirements in other areas, Requirements and Stock Control Branch has from time to time directed extracts of requisitions from other depots to this depot for supply. Due to the time required in accomplishing the extract action, and the intransit time required for shipment to the other distribution areas, the large majority of extracts received result in late shipments.

11.85 percent of the late shipments, or 1.22 percent of total lines shipped were due to late receipt of requisition from requisitioner. To clarify, if the required date on a requisition does not permit the depot reasonable processing time, and the lines on the requisition are shipped late (even though by only a few days) the lines are recorded as late shipments but classified as "late receipts from requisitioners." Such lines are rarely over a few days late since every effort is made to deliver by the required date. During the early weeks of the test, a considerable portion of late shipments was attributable to late receipt of requisitions from ships. Ordinarily Army and Air Force stations indicate a required date of 30 days from date of mailing the requisition to this depot. This permits ample processing time. With the inauguration of the test, numerous requisitions were received from ships with required dates varying from a few days on up depending upon operational commitments of the vessel involved. While this depot has always handled emergency Army and Air Force requisitions on a hand carry "expedite" basis, it was not geared to processing substantial numbers of requisitions with early required dates. With the fine cooperation of the Navy Review and Liaison Unit, and the institution of certain special procedures and controls, the problem has been largely overcome.

9.96 percent of the late shipments, or 1.03 percent of total lines shipped, only were late due to "delay in depot processing." Such lines were late as a result of some operational shortcoming of this depot, and consequently are recorded as such. Miscellaneous other reasons account for 7.2 percent of total late shipments, such as delay in obtaining transportation release, shipments held for consolidation, etc.

In order to further evaluate the significance of late shipments, a study has been made of the first 500 requisitions received at this depot after the test commenced to determine in terms of days the lateness of any lines on such requisitions recorded as late shipments. Of the 3,199 lines recorded as late shipments on those requisitions, 2,325 lines, or 72.7 percent were shipped within 1–15 days after the original ship date. Eight hundred and seventy-four lines, or 27.3 percent were shipped after 15 days of the original ship date. From the above facts, the following conclusions can be drawn:

(a) A relatively small percentage of total lines shipped since the test began have been late shipments.

(b) The trend of late shipments has been steadily downward since the middle of April.

(c) A negligible proportion of late shipments are within the province of this depot to correct.

(d) The large majority of late shipments were released within 15 days of the shipping date which would have resulted in the shipment being on time.

c. Cross-servicing has been facilitated by test operations and has been accomplished on a simple, efficient basis. A stocok balance listing is prepared weekly for editing requisitions; this is a normal procedure. This balance listing includes information pertaining to all three accounts, such as stock on hand, stock due in and due out. Immediately upon receipt of this listing, it is reviewed by the liaison officer of each service to determine those items which are due out and can be supplied by another service. A request is then placed on that service for stock required and normally within 2 days after publication of the balance listing, stock transfers are accomplished and dues out released for shipment. It should be noted that cross-servicing in the medical services is also accomplished at a higher level—at the inventory control offices in Brooklyn, N. Y. The inventory control offices, as part of their normal requirements analysis and procurement operations, direct transfers of stocks between the services. No physical movement of matériel is involved; it is normally a simple paper transfer between stock accounts. In this manner full utilization of available excess stocks of other services is effected prior to the initiation of new procurement. This procedure is also used for stock balancing purposes among the several depots. Approximately 80 percent of the cross-servicing accomplished at this depot during the test period and reflected in the above figures was the result of such transfer directives from the inventory control offices. In the aggregate, during the first 5 months of the test operations, cross-servicing between the departments totaled $1,924,822.55 of stock, broken down as follows:

(1) Receipts by the Army from the other departments, $952,262.70. Transfers by the Army to other departments, $916,833.37.

(2) Receipts by the Air Force from the other departments, $842,829.10. Transfers by the Air Force to other departments, $824,135.61.

(3) Receipts by the Navy from the other departments, $129,730.75. Transfers by the Navy to other departments, $183,853.57.

The basic policies prescribed by the three medical services relative to cross-servicing at depot level during the test are as follows:

(1) Stock must be required by the requesting service for immediate issue.

(2) Stock requested will not, when added to all other local transfers for the same item in the past 30 days, represent more than 10 percent of the then current balance in the stock account of the tranferring service.

(3) Stock requested will not cause the value of local accounts receivable from a department to exceed local accounts payable to that department by more than $10,000. In the event that the commanding officer, Alameda Medical Depot, considers after experience that the $10,000 limitation is too restrictive, he will furnish supporting data and request that a higher figure be substituted.

(4) The officer in charge, Navy Review and Liaison Unit was delegated authority to transfer any item requested by the other services, subject to his discretion and under the policies set forth above. The Army and Air Force representatives at this depot have been provided lists of items which may be transferred at this level under the policies set forth above. The transfer of any item not on the lists must be approved by the inventory control offices prior to transfer. The items over which the inventory control offices have retained control are those in short supply in the system. As a general rule, little difficulty has been experienced in obtaining authority to transfer such items.

(5) The emergency transfer of small quantities of items necessary to save life or prevent suffering or distress may be made at depot level without reference to higher authority or the criteria set forth above.

14. *Workload, manpower, and cost statistics for stock-control operations.*—Set forth in table II below are workload, manpower, and cost statistics for stock-control operations which will be of interest to the committee, since a comparison is made between monthly averages during the base period January through June 1951, at the San Francisco Medical Depot, Oakland, Calif., and test period monthly averages at the Alameda Medical Depot, March through June 1952. In general, the percentage increase of work produced during the test period is greater than the percentage increase in manpower and costs to perform the work.

TABLE II.—*Comparative data, stock-control operations*

A. WORKLOAD

	Requisition line items received	Requisition line items processed	Line items shipped	Receiving document line items processed
Base period monthly average:				
1951	27,496	26,148	19,029	2,575
1952:				
March	46,176	36,355	29,892	4,158
April	53,246	49,041	43,990	4,520
May	41,202	47,608	44,979	5,562
June	43,452	42,836	38,322	5,008
Total	184,076	175,840	157,183	19,248
Test period monthly average	46,019	43,960	39,296	4,812
Percent increase over base	67.37	68.12	106.51	86.87

B. MANPOWER AND COSTS

	Total productive man-hours	Total productive man-hour costs	Average assigned personnel	
			Civilian	Military
Base period monthly average	8,834	$13,901	61	6
1952:				
March	13,750	$22,698	84	8
April	14,497	$24,372	84	10
May	13,767	$23,191	84	10
June	12,569	$21,191	80	10
Total	54,583	$91,452	332	38
Test period monthly average	13,646	$22,863	83	10
Percent increase over base	54.47	64.47	36.00	67.00

15. *Storage operations.*—a. Storage operations at the Alameda Medical Depot under the medical supply test reflect considerable progress in the field of unified supply operations and demonstrate the advantages inherent in such unification. Due to the fact that there was no stock segregation under test operations optimum utilization of space potential has been possible. In a storage operation involving several thousands of items, it is necessary to locate each item in such a manner as to permit its rapid location and selection for issue purposes. This segregation by item results in what is referred to as "potential" storage spac, namelly, space for additional unitsofthesameitem in the stack set aside for that unit. Consolidation of medical supply activities for the Department of Defense on a commodity basis, such as under test operations, permits the maximum utilization of such potential space.

b. A second advantage in consolidating storage operations on a commodity basis is found in the fact that only one staff of specially trained warehousemen is necessary. It has been suggested that medical supplies and equipment can be procured, stored, issued, and maintained just as efficiently by personnel who are not familiar with the nature and technical use of the items involved. Our experince has demonstrated that the most valuable persons engaged in medical supply operations, military or civilian, are those who in addition to their supply training have some knowledge of the actual use of the item involved. In the case of drugs and biologicals, the need for special training and care in storage and issue is vividly clear. Factors of age, sterility, potency, and refrigeration enter the picture and unless strictly understood and observed, may result in discomfort or even death to the patient. Many years of training and experience on the part of military and civilian personnel engaged in the storage and issue of medical supplies to the military services assures their proper handling from the factory to the front.

16. *Workload, manpower, and cost statistics for storage operations.*—Set forth in table II below are workload, manpower, and cost statistics for storage operations which include the same comparisons made on the previous table for

stock-control operations. It is considered pertinent to note that the comparison is rendered somewhat invalid by the fact that the Navy support mission under the test has involved the direct shipment from this depot to numerous small activities, such as ship dispensaries. These shipments normally consist of small quantities of items selected from bin stock requiring repack prior to shipment. This type of issue is somewhat more expensive and time-consuming than shipment of case lots of stock to larger activites. During the base period, the San Francisco Medical Depot primarily supported Army and Air Force dispensaries and field units were based upon such hospitals for medical supply support. This factor would tend to favor the San Francisco Medical Depot in an analysis of this type.

TABLE III.—*Comparative data, storage operations*

A. WORKLOAD

	Tonnage receipts and shipments	Total tonnage on hand
Base period monthly average:		
1951	2,895	9,380
1952:		
March	5,236	16,248
April	5,596	17,975
May	5,362	19,620
June	5,139	21,700
Total	21,333	75,543
Test period monthly average	5,334	18,886
Percent increase over base	84.25	98.62

B. MANPOWER AND COSTS

	Total productive man-hours	Total productive man-hour costs	Average assigned personnel	
			Civilian	Military
Base period monthly average	27,111	$42,472	183	4.5
1952:				
March	43,960	65,217	291	8
April	51,589	89,402	311	8
May	52,522	94,967	314	8
June	49,583	85,798	315	8
Total	197,654	335,384	1,231	32
Test period monthly average	49,414	83,846	308	8
Percent increase over base	82.27	97.41	68.30	77.77

17. *Procurement operations.*—The procurement mission of the Alameda Medical Depot in the field of medical supplies and equipment is an essential though limited one. In excess of 95 percent of the standard medical supplies and equipment stored and issued from this depot are procured centrally by the Armed Services Medical Procurement Agency. There are, however, two broad categories of medical matériel which the respective Surgeon Generals have determined can be more efficiently procured at depot level.

a. Depot responsibility items. There are certain standard items which due to their very low rate of issue or peculiar nature are a procurement responsibility of depots. For example, small incandescent bulbs for various equipment items, such as otoscopes and ophthalmoscopes, represent a very small dollar value of procurement yet are absolutely essential to the functioning of the item. These are procured by depots from local vendors. Similarly, cardiograph paper must be stocked based upon the number of machines of a particular manufacturer in the distribution area. Since this can more readily be determined by depots, cardiograph paper has been made a depot responsibility item. On such items the depot has the responsibility for projecting requirements and effecting procurement of required stocks.

b. Nonstandard items. The second category of items normally procured at depot level are nonstandard items based upon specific requests from requisitioning activities. There are thousands of items which are used in the medical profession only occasionally for specific diseases or conditions. Normally such items will not be standardized by the military services for regular stockage, but will be procured as required by depots or stations. The oversea commands, particularly Japan and Korea, are unable to procure such items on local markets and consequently must requisition from the zone of interior. Such requisitions are extracted by the port of embarkation to this depot for action. Very frequently such items are a matter of life and death and are procured by this depot and shipped by air from the Travis Air Force Base in the course of a single day.

In general, the same type of procurement support rendered the Army and Air Force, namely depot responsibility items and nonstandard items requisitioned from the field, has been provided to the Navy during the medical supply test. No problems have been encountered in the assumption of this additional mission.

18. *Workload, manpower, and cost statistics for procurement operations.*—Set forth in table IV below are workload, manpower, and cost statistics for procurement operations. It will be noted that productive man-hours during the test period increased almost in direct proportion with dollar value procured during the same period. This is attributable to the following:

a. The procurement operation at the Alameda Medical Depot has involved numerous engineer contracts which require more extensive research, evaluation, and administration than straight supply contracts. The procurement office at the San Francisco Medical Depot during the base period was not required to execute such contracts, since the depot was a tenant of the Oakland Army Base and had engineer services provided by that base.

b. Greater emphasis has been placed at the Alameda Medical Depot on contract follow-up to assure delivery by vendors on time to meet required date stated on requisitions. This has resulted in a sharp reduction of late shipments which will be discussed later in this presentation.

TABLE IV.—*Comparative data, depot procurement operations*

A. WORKLOAD

	Line items purchased	Value of line items purchased
Base period monthly average:		
1951	1,496	$132,414
1952:		
March	1,860	264,019
April	2,191	213,409
May	2,253	161,609
June	2,203	543,333
Total	8,507	1,182,370
Test period monthly average	2,127	295,593
Percent increase over base	42.18	123.23

B. MANPOWER AND COSTS

	Total productive man-hours	Total productive man-hour costs	Average assigned personnel	
			Civilian	Military
Base period monthly average:				
1951	946	$1,683	6	1
1952:				
March	1,939	3,750	11	1
April	2,197	4,056	11	1
May	2,086	3,802	11	1
June	2,321	4,329	11	1
Total	8,543	15,937	44	4
Test period monthly average	2,136	3,984	11	1
Percent increase over base	125.79	136.72	83.33	0

SECTION III. ANALYSIS OF SPACE UTILIZATION AT THE ALAMEDA MEDICAL DEPOT

19. *Space utilization.*—In the seventeenth intermediate report of the committee, dealing with the Alameda Medical Supply test, this depot is reported as having 677,000 gross square feet of available warehouse space. This has since been increased to 816,000 gross square feet by the acquisition of 139,000 square feet at the Oakland Army Base. All data in this analysis will be based upon the latter figure of 816,000 gross square feet. Table V below is a recapitulation of available space and utilization as of June 30, 1952. The significant feature is that net usable storage space is approximately 86 percent occupied. Eighty percent occupancy is generally considered to be proper utilization if adequate work space is to be available for efficient warehousing and shipping operations.

TABLE V.—*Recapitulation of space utilization*

[Thousands of square feet]

	Total	Heated	Unheated	Humidity controlled	Inflammable	Cold storage
Gross space operated by reporting service or agency	816	36	779	0	0	1
Nonstorage space	123	20	103			0
Gross space available for storage	693	16	676			1
Bin storage space	16	16	0			0
Aisles	165	0	165			0
Receiving and shipping space	27	0	27			0
Net usable space	485	0	484			1
Occupied space	416	0	415			1
Vacant space	69	0	69			0

SECTION IV. ANALYSIS OF ARMY STOCKS IN MEDICAL DEPOTS (TONS)

20. *Depot stockage.*—Since the supply support of a given distribution area is not vested solely in one Army depot due to the fact that certain items are keyed to another depot, it is deemed pertinent that in considering the subject of depot stockage the stock of the Army Medical Service depot system as a whole be considered. Exhibit 1 presents an analysis of depot stocks of the supply system of the Army Medical Service. After subtracting Air Force and Navy assets for purpose of this analysis, it will be noted that Army Medical Service assets fall into two broad categories which must be considered separately if stock position is to be honestly evaluated and appraised. These two categories are stocks for special or nonrecurring demands, and stocks for recurring or normal-issue demands. Each category will be discussed separately.

a. Stocks for special or nonrecurring demands.

(1) *Mobilization reserve stocks.*—23,437 tons of medical matériel on hand in Army Medical Service depots represent that portion of Army mobilization-reserve stocks currently on hand. The primary purpose of the Army's existence is to be prepared for war. Mobilization-reserve stocks have long been recognized as absolutely essential to support the military build-up during the first year of war until industrial production can be geared to meet tremendously expanded mobilization requirements. Congress wisely authorized funds for this purpose in the fiscal-year-1951 and 1952 appropriations, and such mobilization reserve stocks currently represent 39 percent of the total stocks stored in depots.

(2) *Initial equipment of tactical units and special stocks for operational projects.*—15,052 tons of medical matériel represents stock procured on a nonrecurring basis for issue upon request to tactical units and installations planned for activation, and special stocks for the support of approved Department of the Army projects. Such stocks must be procured in advance and stored until called forward by the appropriate commander. It is mandatory that this stock be available for issue when required. Failure to provide such matériel on time would result in a failure of the Army Medical Service to provide adequate logistical support to the Army.

(3) *Foreign aid and other nonapplicable assets.*—2,046 tons of stock on hand fall into this category, the bulk of which is foreign-aid stock are awaiting assembly and shipment. It is usually required that such stocks

for foreign-aid programs be held for consolidation into a very limited number of shipments since unusual control and supervision in transit is necessary. Consequently, it is frequently necessary to hold sizable inventories of certain items pending receipt of additional items from procurement permitting final assembly and shipment. This factor increases tonnage on hand in the Army Medical Service System, increases storage-space requirements, but does not increase the stockage available for normal Army programs.

b. Stocks for recurring or normal-issue demands. After deducting tonnage held for special programs referred to in a, above, approximately 19,662 tons of Army medical matériel remain for application to its recurring or normal-issue demands. It is these stocks and those tonnages which should be considered when determining the number of months of stock on hand. On this basis, the Army has approximately 4.9 months of stock on hand for recurring or normal-issue demands. It is the objective of The Surgeon General that depot stocks should equal an operating level of 3 months' projected issue demands. However, when depot stocks are reduced to months of supply on a tonnage basis, several factors which are inherent in operation of the supply system and which tend for greater stockage should be considered. Such factors are noted below:

(1) Many medical items purchased on a periodic basis do not lend themselves to monthly delivery. Economies are often gained by accepting deliveries in greater increments at times equal to 3 to 6 months' demand. Advantages occur in the reduced number of in-bound shipments to be handled, economies in transportation costs, and at times more favorable purchase price. This feature temporarily brings depot stocks above the stockage objective.

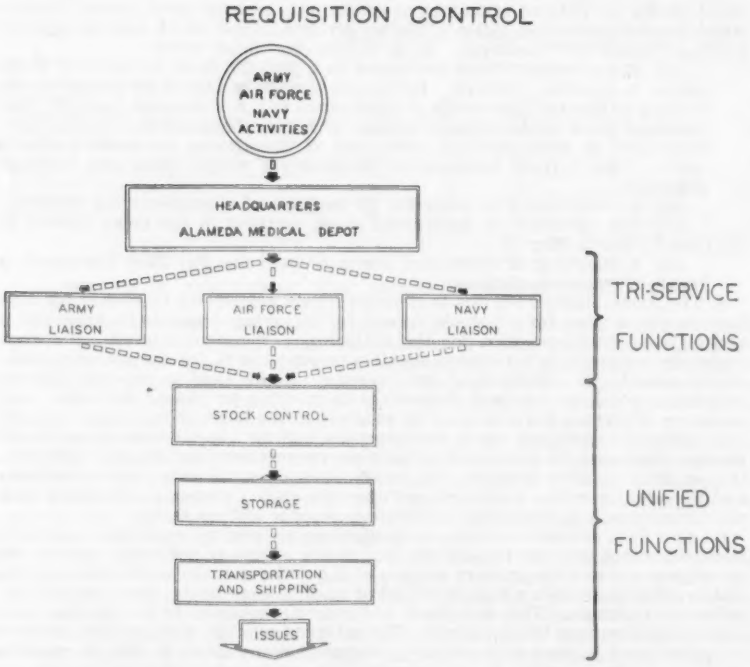
(2) A curtailment or reduction of program of a nonrecurring nature.

(3) The existence of unbalanced stock retained in the depot system at the close of World War II.

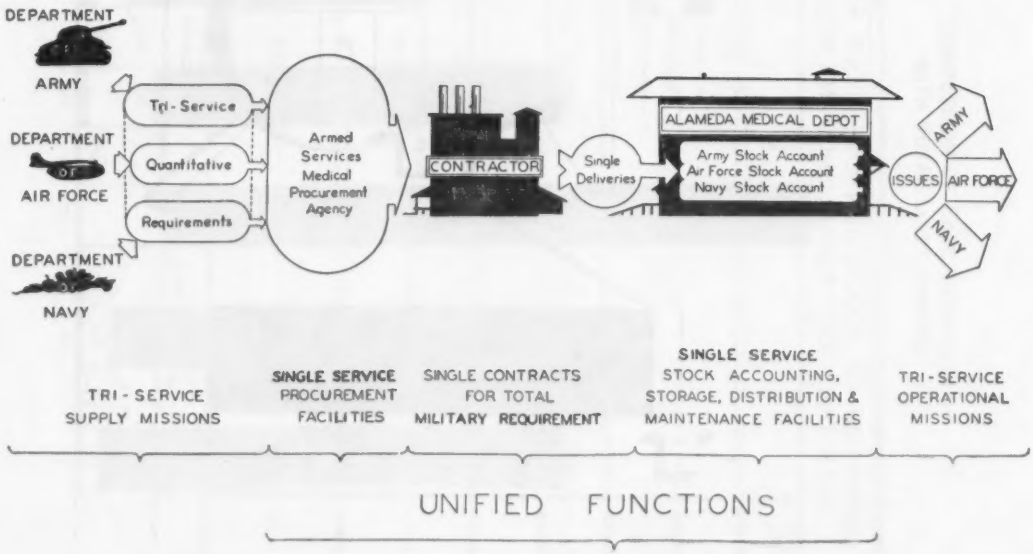
(4) A lessening of forecasted demands from the Far East Command, a result of truce negotiations.

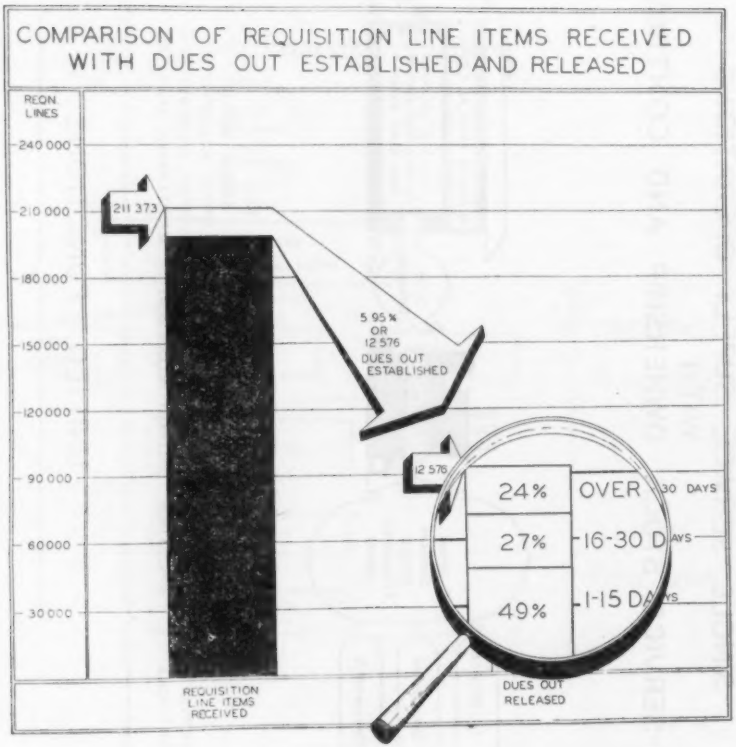
c. The Army Medical Service is conscientiously attempting to realize for four turn-overs per year for all stocks issued for recurring demands by means of a quarterly procurement plan for the majority of the items stored. However, quarterly turn-over is not always possible or economical, for the reasons stated above; namely, the existence of unbalanced stocks on hand in the depot system and items which do not lend themselves to monthly or phased delivery. Any instances of phased delivery must be weighed on the basis of increased cost and administrative workload versus storage-space savings. In other words, although storage space may be conserved by multiple procurement and phased deliveries, it is entirely possible that the cost of matériel procured under such conditions and the administrative burden placed upon the supply system to effectuate such procurement will be excessive compared to storage dollars saved.

d. As a final comment relative to medical-supply systems and depot stocks, it is considered of extreme importance that in our efforts to achieve economies we do not lose sight of the primary mission of the military medical services in peace and in war: to provide a high standard of medical care to the American soldier, sailor, and airman. This is a legal and moral responsibility to the American public which cannot be minimized. The military medical services are expected to be prepared in time of emergency to expand many times in size, to provide adequate medical service in any corner of the globe where American men are fighting, under conditions varying from the frozen Arctic wastes to the sweltering heat of the jungle. This is a logistic assignment which has no counterpart in our civilian economy and can only be performed by a strong, effective supply system and adequate mobilization reserves and operating supplies.


REQUISITION CONTROL
ARMY
AIR FORCE
NAVY
ACTIVITIES
HEADQUARTERS
ALAMEDA MEDICAL DEPOT
ARMY
LIAISON
AIR FORCE
LIAISON
NAVY
LIAISON
STOCK CONTROL
STORAGE
TRANSPORTATION
AND SHIPPING
ISSUES
TRI-SERVICE
FUNCTIONS
UNIFIED
FUNCTIONS

SINGLE SERVICE SUPPLY OPERATIONS WITH TRI-SERVICE STOCK OWNERSHIP AND CONTROL




COMPARISON OF REQUISITION LINE ITEMS RECEIVED WITH DUES OUT ESTABLISHED AND RELEASED
REQN. LINES
240 000
210 000
180 000
150 000
120 000
90 000
60 000
30 000
211 373
5.95% OR 12 576 DUES OUT ESTABLISHED
12 576
24% OVER 30 DAYS
27% 16-30 DAYS
49% 1-15 DAYS
REQUISITION LINE ITEMS RECEIVED
DUES OUT RELEASED

COMPARISON OF LATE SHIPMENTS WITH TOTAL LINES SHIPPED

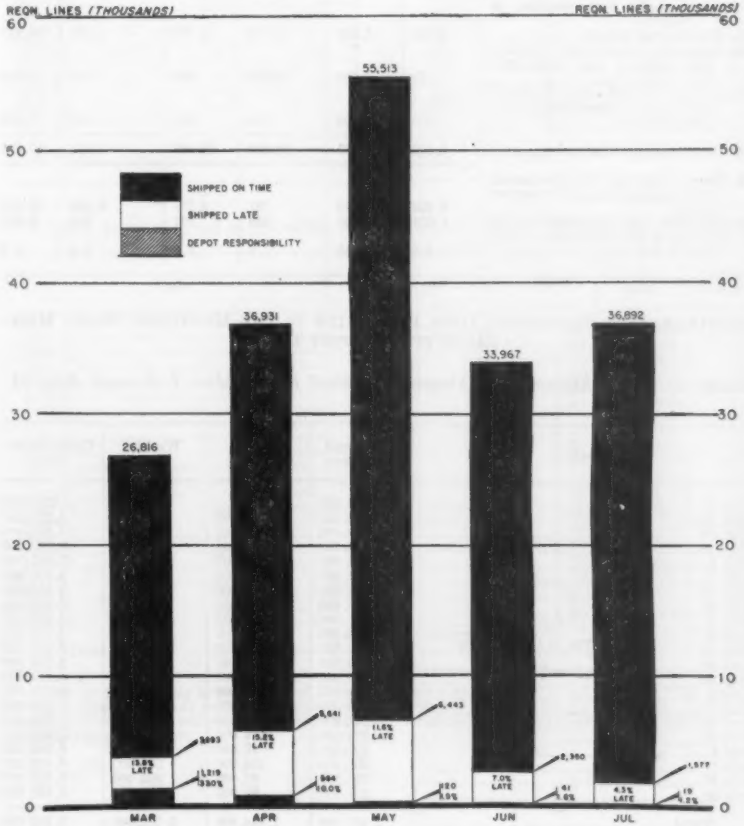


EXHIBIT 1.—*Analysis of depot stocks*

[Tons]

	Alameda	Atlanta	Louisville	St. Louis	Schenectady	Total
1. On hand as of the end of fiscal year 1952	21,320	8,819	19,752	27,047	9,496	86,434
2. On hand, Air Force	6,183	2,117	5,136	8,385	3,039	24,860
3. On hand, Navy	1,387					1,387
4. On hand, Army	13,750	6,702	14,616	18,662	6,457	60,187
(Less stocks for the following specific elements and programs which cannot be equated with previous issues:)						
5. Mobilization reserve	4,186	1,589	2,778	12,706	2,178	23,437
6. Approved operational projects and planned unit augmentation of the Army	97	3,366	10,682	196	701	15,042
7. Foreign aid and other nonapplicable assets (nonrepairable, surplus, salvage)	239	305	769	521	212	2,046
8. Total tons to be deducted	4,522	5,260	14,229	13,423	3,091	40,525
9. Tons remaining for comparison with projected monthly average issues	9,228	1,442	387	5,239	3,366	19,662
10. Projected monthly average issues	1,678	406	449	880	620	4,033
11. Number of months' stock on hand (line 9 plus 10)	5.5	3.65	.9	5.9	5.4	4.9

SUPPLEMENTARY STATISTICAL DATA PERTAINING TO THE MUNITIONS BOARD MEDICAL SUPPLY SUPPORT TEST

Dollar value of shipments at Alameda Medical Depot, Mar. 1 through July 25, 1952

Date	Army and Air Force	Navy	Weekly total	Cumulative total
Mar. 7	$595,200		$595,200	$595,200
Mar. 14	728,400	$4,800	733,200	1,328,400
Mar. 21	260,400	21,600	282,000	1,610,400
Mar. 28	416,400	36,000	452,400	2,062,800
Apr. 4	294,000	50,400	344,400	2,407,200
Apr. 11	517,200	86,400	603,600	3,010,800
Apr. 18	184,800	60,000	244,800	3,255,600
Apr. 25	296,400	93,600	390,000	3,645,600
May 2	501,600	142,800	644,400	4,290,000
May 9	254,400	85,200	339,600	4,629,600
May 16	244,800	127,200	372,000	5,001,600
May 23	409,200	128,400	537,600	5,539,200
May 30	379,200	61,200	440,400	5,979,600
June 6	279,600	64,800	344,400	6,324,000
June 13	306,000	63,600	369,600	6,693,600
June 20	247,200	363,600	610,800	7,304,400
June 27	273,600	114,000	387,600	7,692,000
July 4	296,400	93,600	390,000	8,082,000
July 11	266,400	114,000	380,400	8,462,400
July 18	256,800	45,600	302,400	8,764,800
July 25	279,600	87,600	367,200	9,132,000
Total	7,287,600	1,844,400	9,132,000	9,132,000

Tonnage shipped at Alameda Medical Depot, Mar. 1 through July 25, 1952

Date	Army and Air Force	Navy	Weekly total	Cumulative total
Mar. 7	496		496	496
Mar. 14	607	4	611	1,107
Mar. 21	217	18	235	1,342
Mar. 28	347	30	377	1,719
Apr. 4	245	42	287	2,006
Apr. 11	431	72	503	2,509
Apr. 18	154	50	204	2,713
Apr. 25	247	78	325	3,038
May 2	418	119	537	3,575
May 9	212	71	283	3,858
May 16	204	106	310	4,168
May 23	341	107	448	4,616
May 30	316	51	367	4,983
June 6	233	54	287	5,270
June 13	255	53	308	5,578
June 20	206	303	509	6,087
June 27	228	95	323	6,410
July 4	247	78	325	6,735
July 11	222	95	317	7,052
July 18	214	38	252	7,304
July 25	233	73	306	7,610
Total	6,073	1,537	7,610	7,610

Line items shipped at Alameda Medical Depot, Mar. 1 through July 25, 1952

Date	Army	Air Force	Navy	Weekly total	Cumulative total
Mar. 7	2,459	2,155	43	4,657	4,657
Mar. 14	2,617	3,471	808	6,896	11,553
Mar. 21	2,200	3,181	2,150	7,531	19,084
Mar. 28	2,328	3,704	1,700	7,732	26,816
Apr. 4	2,521	2,638	3,029	8,188	35,004
Apr. 11	2,045	2,817	5,046	9,908	44,912
Apr. 18	1,359	1,986	4,238	7,583	52,495
Apr. 25	2,420	3,650	5,182	11,252	63,747
May 2	2,676	2,333	6,391	11,400	75,147
May 9	2,173	1,542	6,330	10,045	85,192
May 16	2,240	3,216	5,955	11,411	96,603
May 23	1,757	2,702	7,059	11,518	108,121
May 30	2,454	3,290	5,395	11,139	119,260
June 6	2,011	1,577	3,369	6,957	126,217
June 13	1,300	2,882	3,985	8,167	134,384
June 20	3,875	3,330	4,027	11,232	145,616
June 27	2,548	2,078	2,985	7,611	153,227
July 4	2,403	2,725	3,261	8,389	161,616
July 11	3,316	3,306	5,650	12,272	173,888
July 18	1,623	2,136	2,694	6,453	180,341
July 25	1,558	2,655	5,565	9,778	190,119
Total	47,883	57,374	[1] 84,862	190,119	190,119

[1] The proportionately large number of Navy line items shipped is due to the fact that ships and small dispensaries of the Navy have been supplied directly from this depot during the test period. In the Army and Air Force, small consumers of medical supplies are satellited on large stations and hospitals for their medical supply support.

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Requisition line items on requisitions received at Alameda Medical Depot, Mar. 1 through July 25, 1952

For week ending—	Army	Air Force	Navy	Weekly total	Cumulative total
Mar. 7	3,121	4,124	3,185	10,430	10,430
Mar. 14	2,732	2,529	4,430	9,691	20,121
Mar. 21	3,420	4,314	4,990	12,724	32,845
Mar. 28	1,958	3,226	6,591	11,775	44,620
Apr. 4	1,288	2,417	4,299	8,004	52,624
Apr. 11	2,014	3,077	7,777	12,868	65,492
Apr. 18	2,997	1,636	8,411	13,044	78,536
Apr. 25	1,347	4,063	4,769	10,179	88,715
May 2	4,050	2,554	4,341	10,945	99,660
May 9	2,221	3,385	3,633	9,239	108,899
May 16	2,287	2,494	4,049	8,830	117,729
May 23	1,869	2,427	4,974	9,270	126,999
May 30	2,287	3,592	3,396	9,275	136,274
June 6	3,253	4,794	4,377	12,424	148,698
June 13	2,378	3,567	4,098	10,043	158,741
June 20	3,648	3,451	4,333	11,432	170,173
June 27	1,965	2,294	2,739	6,998	177,171
July 4	1,734	3,140	1,342	6,216	183,387
July 11	1,581	2,233	6,719	10,533	193,920
July 18	1,775	3,640	3,421	8,836	202,756
July 25	2,283	2,567	3,767	8,617	211,373
Total	50,208	65,524	[1] 95,641	211,373	211,373

[1] The proportionately large number of Navy requisition line items received is due to the fact that ships and small dispensaries of the Navy have been supplied directly from this depot during the test period. In the Army and Air Force, small consumers of medical supplies are satellited on large stations and hospitals for their medical supply support.

Dues out established (lines) at Alameda Medical Depot, Mar. 1 through July 25, 1952

Date	Army	Air Force	Navy	Weekly total	Cumulative total
Mar. 7	173	223	212	608	608
Mar. 14	203	136	354	693	1,301
Mar. 21	349	367	379	1,095	2,396
Mar. 28	78	163	443	684	3,080
Apr. 4	223	306	329	858	3,938
Apr. 11	207	152	471	830	4,768
Apr. 18	172	222	534	928	5,696
Apr. 25	210	85	684	979	6,675
May 2	175	164	665	1,004	7,679
May 9	82	133	388	603	8,282
May 16	83	95	261	439	8,721
May 23	71	154	346	571	9,292
May 30	37	48	180	265	9,557
June 6	62	115	293	470	10,027
June 13	19	57	258	334	10,361
June 20	23	48	419	490	10,851
June 27	42	38	433	513	11,364
July 4	14	6	66	86	11,450
July 11	37	31	229	297	11,747
July 18	19	19	365	403	12,150
July 25	25	76	325	426	12,576
Total	2,304	2,638	7,634	12,576	12,576

Total late shipments (lines) at Alameda Medical Depot, Mar. 1 through July 25, 1952

Date	Army	Air Force	Navy	Weekly total	Cumulative total
Mar. 7	147	412		559	559
Mar. 14	142	785	66	993	1,552
Mar. 21	270	667	467	1,404	2,956
Mar. 28	96	527	114	737	3,693
Apr. 4	391	863	316	1,570	5,263
Apr. 11	245	406	1,125	1,776	7,039
Apr. 18	162	255	491	908	7,947
Apr. 25	257	321	809	1,387	9,334
May 2	169	259	1,017	1,445	10,779
May 9	171	449	892	1,512	12,291
May 16	413	431	376	1,220	13,511
May 23	235	284	658	1,177	14,688
May 30	291	306	492	1,089	15,777
June 6	89	174	290	553	16,330
June 13	337	345	218	900	17,230
June 20	206	243	138	587	17,817
June 27	78	117	115	310	18,127
July 4	101	182	109	392	18,519
July 11	74	167	54	295	18,814
July 18	133	87	166	386	19,200
July 25	97	67	340	504	19,704
Total	4,104	7,347	8,253	19,704	19,704

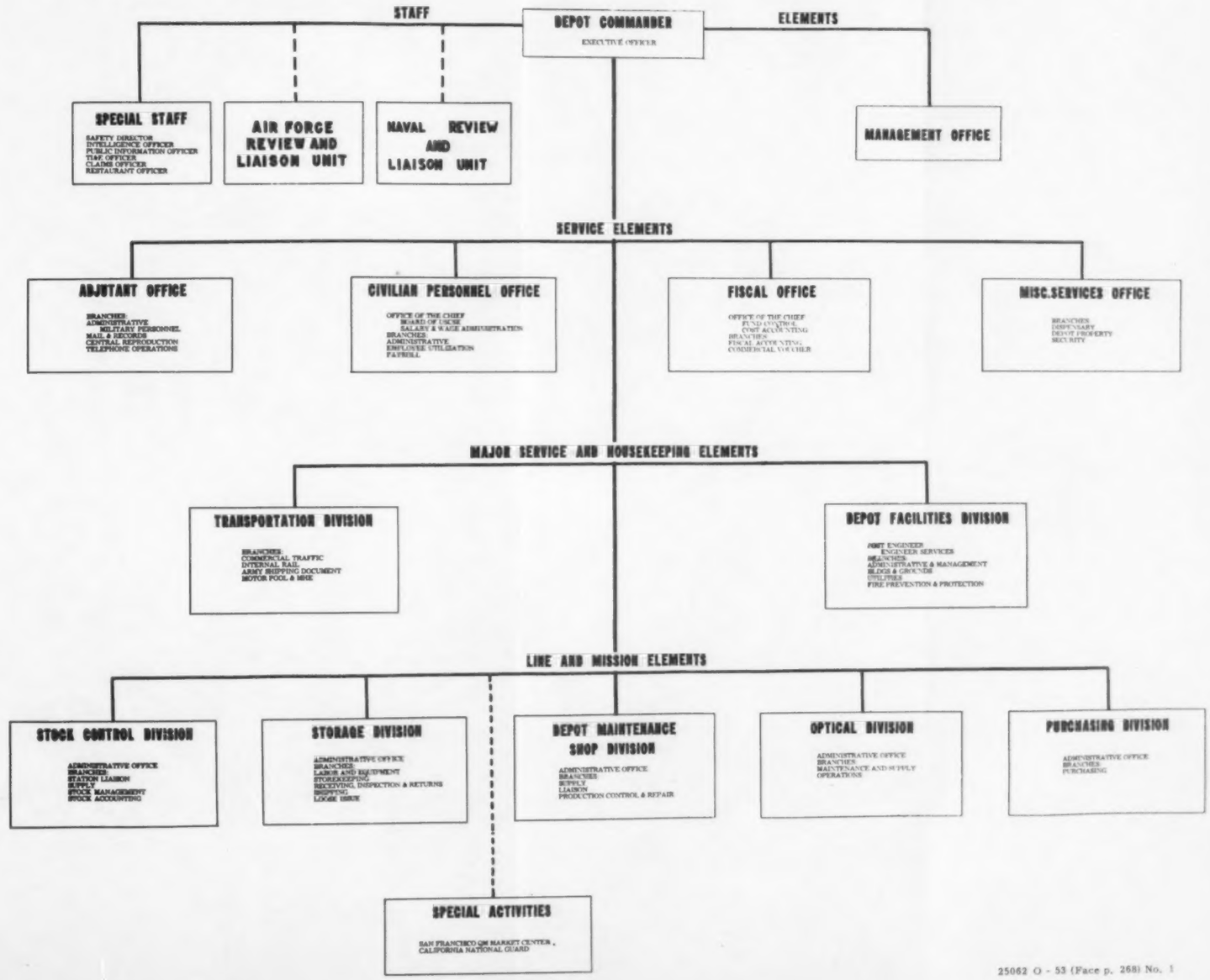
Late shipments (lines) due to delay in depot processing at Alameda Medical Depot, Mar. 1 through July 25, 1952

Date	Army	Air Force	Navy	Weekly total	Cumulative total
Mar. 7	12	129		141	141
Mar. 14	31	319		350	491
Mar. 21	190	358		548	1,039
Mar. 28	13	167		180	1,219
Apr. 4	41	138	1	180	1,399
Apr. 11	92	24	19	135	1,534
Apr. 18	35	7	65	107	1,641
Apr. 25	119	15	8	142	1,783
May 2	5	30	8	43	1,826
May 9	4	1		5	1,831
May 16	7	3	46	56	1,887
May 23	2	2	2	6	1,893
May 30	1	3	6	10	1,903
June 6	8	2	1	11	1,914
June 13	1	4	7	12	1,926
June 20	7	2	4	13	1,939
June 27	3		2	5	1,944
July 4	3	2		5	1,949
July 11		2	3	5	1,954
July 18	2	4	2	8	1,962
July 25		1		1	1,963
Total	576	1,213	174	1,963	1,963

Dollar value of procurements at Alameda Medical Depot, Mar. 1 through July 25, 1952

Date	Army and Air Force	Navy	Weekly total	Cumulative total
Mar. 7	56, 979		56, 979	56, 979
Mar. 14	20, 663		20, 663	77, 642
Mar. 21	22, 381		22, 381	100, 023
Mar. 28	40, 373		40, 373	140, 396
Apr. 4	35, 509	1, 489	36, 998	177, 394
Apr. 11	40, 300	426	40, 726	218, 120
Apr. 18	32, 432	441	32, 873	250, 993
Apr. 25	78, 770	3, 787	82, 557	333, 550
May 2	23, 086	4, 359	27, 445	360, 995
May 9	18, 325	1, 939	20, 264	381, 259
May 16	25, 291	2, 432	27, 723	408, 982
May 23	42, 387	173	42, 560	451, 542
May 30	29, 802	1, 211	31, 013	482, 555
June 6	40, 966	976	41, 942	524, 497
June 13	74, 366	2, 240	76, 606	601, 103
June 20	161, 348	1, 157	162, 505	763, 608
June 27	70, 993	1, 143	72, 136	835, 744
July 4	229, 139	340	229, 479	1, 065, 223
July 11	6, 258	131	6, 389	1, 071, 612
July 18	5, 676	289	5, 965	1, 077, 577
July 25	23, 455	196	23, 651	1, 101, 228
Total	1, 078, 499	22, 729	1, 101, 228	1, 101, 228

ALAMEDA MEDICAL DEPOT ORGANIZATION CHART



25062 O - 53 (Face p. 268) No. 1

UNION OF SOVIET SOCIALIST REPUBLICS
BAFFIN BAY
GREENLAND
ALASKA
BERING SEA
OKHOTSK SEA
ALEUTIAN ISLANDS
HUDSON BAY
CANADA
UNITED STATES
CHINA
NORTH PACIFIC OCEAN
NORTH ATLANTIC OCEAN
PHILIPPINE SEA
CAROLINE ISLANDS
MARSHALL IS
HAWAIIAN ISLANDS
GULF OF MEXICO
MEXICO
COLOMBIA
BRAZIL
BOLIVIA
PERU
CORAL SEA
AUSTRALIA
SOUTH PACIFIC OCEAN
NEW ZEALAND
TASMAN SEA
TUAMOTU ARCHIPELAGO
SAMOA IS
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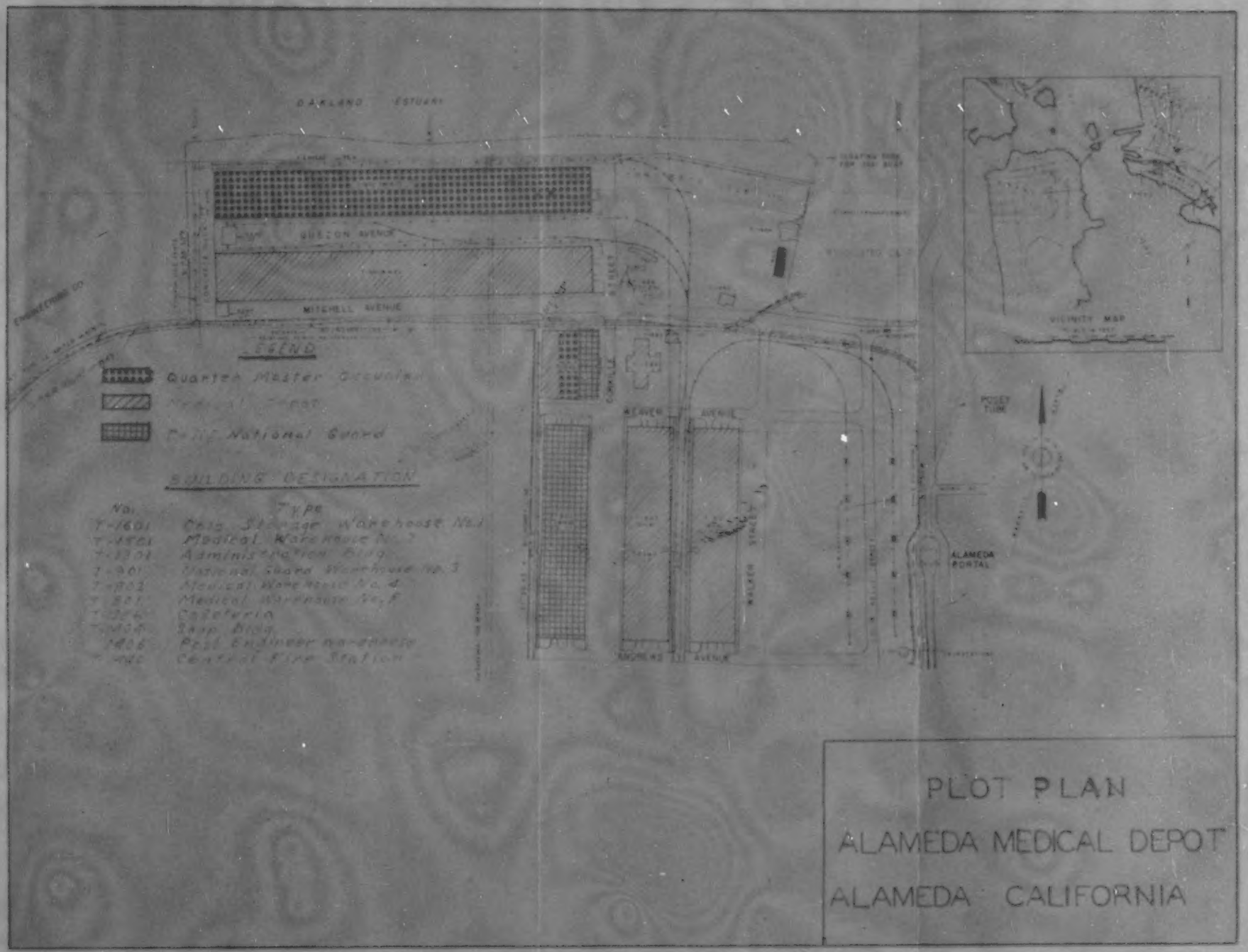
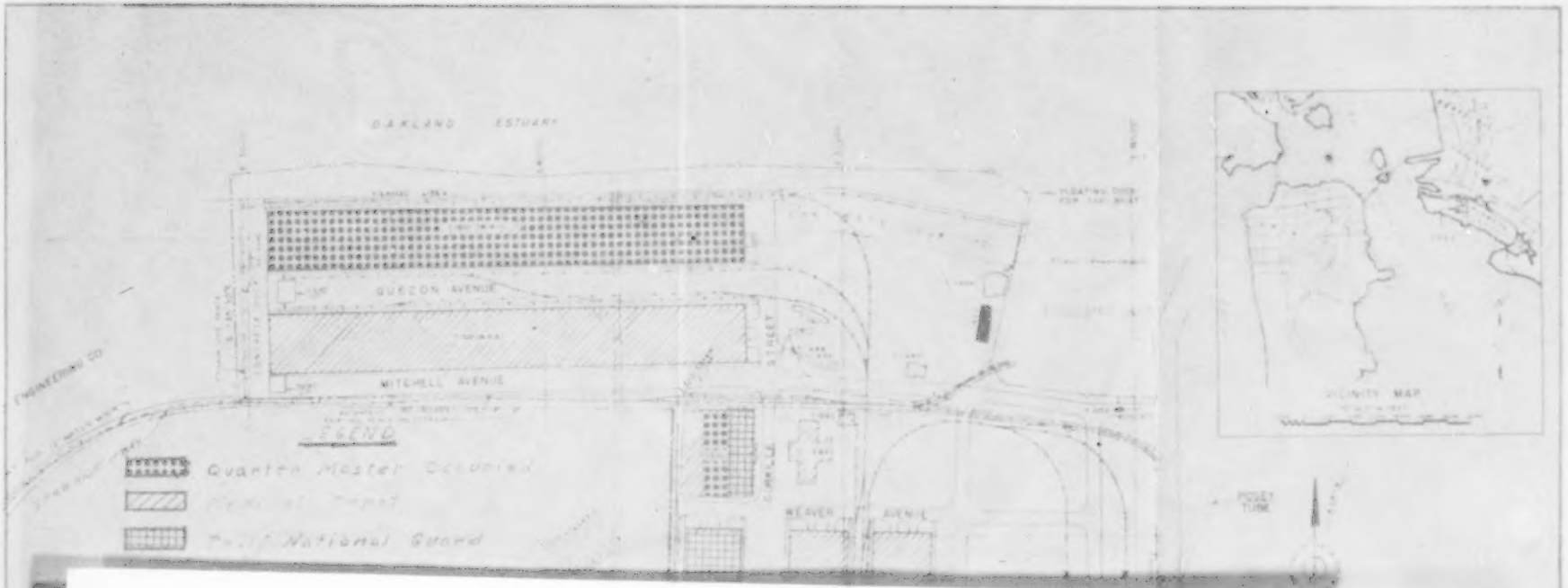


PLOT PLAN
ALAMEDA MEDICAL DEPOT
ALAMEDA CALIFORNIA



LIGHT

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DEPOT

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p. 268) No. 3

FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT—PART III

(Section 2)

(Meeting held at the Coffee Roasting Plant, Naval Supply Center, Oakland, Calif.)

MONDAY, AUGUST 25, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
Oakland, Calif.

The subcommittee met at 10 a. m. in the administrative offices of the Naval Supply Center, Oakland, Calif.

Present: Representatives Herbert C. Bonner, (Mrs.) Cecil M. Harden, and Thomas B. Curtis.

Staff members present: Thomas A. Kennedy, general counsel; Ray Ward, staff director; and Herbert Roback, staff director, Reorganization Subcommittee.

Navy services personnel present: Rear Adm. M. L. Royar, Chief Bureau of Supplies and Accounts, Washington, D. C.; Rear Adm. T. Earle Hipp, commanding officer, Naval Supply Center, Oakland, Calif.; Capt. D. C. McKenzie, officer in charge, General Supply Depot, Naval Supply Center, Oakland, Calif.; Comdr. F. W. McKay, planning officer, Naval Supply Center, Oakland, Calif.; Lt. Roy Andersen, Navy Cost Inspection Office, San Francisco, Calif., and Mr. J. F. Nielsen, quarterman, coffee roaster, Naval Supply Center, Oakland, Calif.

Mr. BONNER. The subcommittee will come to order.

Admiral Royar, we are pleased to be here with you again on this particular question, the study of the coffee-roasting plants in the armed services and particularly in the Navy. You have met the members of the subcommittee. We regret that Congressman Shelley is not present due to conditions beyond his control. Congressman Shelley is greatly interested in this subject. This subcommittee has issued a committee print on the subject of commercial activities in the armed services, and I shall read the introductory part for the hearing.

The Federal Government annually requires millions of individual items which cost billions of dollars of the taxpayers' money. The extent and complexity of the far-flung and diverse Federal activities cannot be comprehended by any individual. Commercial type activities alone stagger the imagination. A partial list of these activities operated by various agencies of the Government follows:

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[1] Name changed to Committee on Government Operations, July 4, 1952.

SOME COMMERCIAL ACTIVITIES OF THE FEDERAL GOVERNMENT

United States mints
Engraving and printing (paper money, bonds, stamps, and so forth)
Printing of all kinds (Government Printing Office and other agencies)
Maintenance shops (automotive, typewriters, adding machines, ships, planes, and so forth)
Guns, ammunition
Clothing manufacture
Bakeries
Railroads
Transports (air, sea, land)
Power plants
Warehouses
Testing facilities
Coffee-roasting plants
Commissaries
Messes
Force account construction projects (dams, roads, buildings, telephone lines)
Hospitals
Schools
Experimental operations of all kinds
Fur sealing (Pribiloff Islands)
Banking, credit, loans, and so forth
Insurance (crops, banks, and so forth)
Laundries
Spectacle manufacturing
Paint manufacturing
Tree nurseries
Fish hatcheries
Telephone lines and other communications systems
Synthetic rubber plants
Shipbuilding

As a nation we recognize the need for encouragement of individual initiative and enterprise under our system of democratic government. Government operations should be conducted only when necessary in the interest of—

1. Service (to obtain what is needed when and where)
2. Cost
3. Security
4. Emergency
5. Experimental projects
6. Excessive risks
7. General welfare (postal system, etc.)
8. Quality control
9. Isolated areas.

Theoretically, everything that is done by Federal Government agencies could be done by or through commercial concerns, States, counties, municipalities, or cooperative projects. It is recognized fully that the Government should pay a reasonable profit for what it gets and the factor of fair profit alone is no excuse for the Government taking over. On the other hand, every profitable and unprofitable activity of a nation could be usurped by a socialized state devoid of the urge of personal incentive. As big Government gets bigger there is a tendency for Government agencies to take over more and more activities, sometimes justifiably and sometimes through desire rather than necessity. As all things are related, one enterprise leads to still another. Sometimes activities are started on a small scale and historical precedence becomes an excuse for continued operation on a large scale.

RECOGNITION OF PROBLEM BY SUBCOMMITTEE

The subcommittee recognized the problem of commercial activities in the armed services and in its report No. 658, of June 27, 1951, stated the conclusion and recommendation that:

"Except in isolated areas and under special circumstances, commercial-type operations in the military departments, such as coffee roasting, are of questionable value. Skilled military personnel, specialized equipment, and much needed administrative and warehousing space are utilized by these activities, which are not essentially military operations.

Justification for their existence has been attempted on an economy basis. Cost figures shown to the subcommittee, however, fail to include all overhead and other cost factors, such as amortization, depreciation, etc., which are customarily considered in arriving at commercial costs.

It would appear that in the absence of adequate justification for maintaining commercial-type operations, the military departments could better utilize their funds and personnel in procuring the finished product on the commercial market than in duplicating commercial facilities and manufacture.

Other commercial-type operations such as clothing manufacturing, tire-retreading operations, and automobile overhauling shops examined by the subcommittee duplicate existing facilities of small and large civilian business operations, thereby competing for personnel, space, parts, and raw materials.

Recommendation: The Secretary of Defense should ascertain whether under proper cost-accounting standards cost differentials, and service justify retention of commercial-type operations in the Military Establishment."

Further investigations confirm the conviction that the military departments should make a more careful scrutiny of all their commercial-type operations which utilize trained military staff and other resources and facilities, which may not be justified on any of the bases listed above. Title IV of the National Security Act established a Comptroller for the Department of Defense who should make cost studies and evaluations of such matters with the basic idea of diminishing rather than justifying or perpetuating such activities. Under our system of government, the burden of proof should lie against Government operations which lead us to military socialism.

In order to insure a supply of needed items, the military services under the theory of responsiveness to command want to be sure that they have production control. While there can be no quarrel with this basic concept provided we consider that command means united command this can be carried to an absurdity, however, as can be illustrated in the hypothetical case of flour. The services require millions of pounds of flour annually. To be certain of supply, control of the mills is required and distribution facilities from the mills to points of use. However, the next step would be assurance of a supply of grain for the mills, which would require control of the farms that produce the grain for the mills. In turn, this would require assurance of a supply of fertilizer, farm equipment, and farm help, and so the matter would go on ad infinitum until every industry and every facility would need to be controlled by the military in order to insure adequate supplies.

In a democracy we try to protect private enterprise but have systems of priorities in times of emergency to assure supplies to defense activities. Our system also permits requisitioning procedure and condemnation in the national interest, thus obviating the threat of military socialism which spreads and engulfs so quickly.

CIVILIAN-TYPE ITEMS

There are thousands of items used commonly in great quantities by both the civilian and military populations. These items generally are covered by civilian specifications, are in the competitive market and can be procured for Government use through the time-honored system of competitive bidding. This system as often described by the Comptroller General of the United States requires that "needs are clearly stated, that free and full competition is obtained and that award is made to the lowest responsive qualified bidder." Bid openings are public and quotations are read aloud and become public property. Such a system is in the interest of the bidders and the Government. Favoritism, collusion, nepotism, personal preferences, and other abuses are best avoided by this process.

The system to be successful requires that Government officials know what they need as to quantity and as to quality and so state in the specifications in the bid invitation. In making the award, the contracting officer must know that he is getting what is specified. This is the essence of testing. Without this corollary to good specifications, the process breaks down and responsible bidders are penalized and chiselers are rewarded.

Too often the Government is unable to throw out dishonest bidders. Often the Government gets stung before discovering the chiselers. The subcommittee believes that General Services Administration under its general authority pursuant to section 201 (a) (1), Public Law 152, Eighty-first Congress, should establish policies governing responsibility of bidders so they may be prequalified and/or debarred in order to protect the Government. This is prevention rather than costly and belated cure.

COFFEE GENERALLY

Coffee is certainly a civilian-type item in the United States. Imports in fiscal year 1951 were 20,357,372 bags of 132.276 pounds each or 2,692,791,739 pounds at a value of $1,360,583,000. This was 67 percent of the world's production and represents a 16.7-pound per capita consumption. The world's greatest importers and manufacturers of coffee are located in the United States.

Admiral Royar, I understand you will be the principal speaker for the Navy this morning. For the record, will you please give your full name, title, and background for assuming your present position?

FURTHER STATEMENT OF REAR ADM. M. L. ROYAR, SUPPLY CORPS, UNITED STATES NAVY, CHIEF, BUREAU OF SUPPLIES AND ACCOUNTS, AND PAYMASTER GENERAL OF THE NAVY

Rear Admiral ROYAR. My full name is Rear Adm. M. L. Royar, Supply Corps, United States Navy. I am now Chief of the Bureau of Supplies and Accounts and Paymaster General of the Navy. Prior to assuming the billet of Chief of the Bureau, I was in command of the Naval Supply Center at Oakland for 3½ years and, as commanding officer, was in charge of the coffee-roasting plant as one of the facilities of the center.

Mr. BONNER. Would you complete your statement, Admiral Royar?

Rear Admiral ROYAR. May I make a statement off the record?

Mr. BONNER. Yes, sir.

(Discussion off the record.)

Mr. BONNER. Thank you very much, Admiral.

When this subcommittee visited the naval clothing depot at Brooklyn on April 30, 1951, Congresman Shelley asked this question:

I am still trying to get in my mind the answer to a question that has disturbed me for some time. I am going to throw it out right here. Why does the Navy have to have its own coffee? Why do you have to run two coffee roasting and processing plants with the number of commercial coffee roasters and manufacturers that we have in this country, particularly when these plants are in the same general locations as your naval plants are located here and back in my own community in the San Francisco Bay area?

Admiral FOX. It is one of economy.

Mr. SHELLEY. I will need more than that for an answer, Admiral Fox.

Admiral FOX. Well, I don't have the correct cost figures with me. I think the answer simply is that there is no coffee roaster that will do it for anything approaching the price that the Navy can do it for itself, because we have had a cost study made on it.

Do you concur in the statement of Admiral Fox as to the economy in having your own coffee-roasting plants?

Rear Admiral ROYAR. Yes, sir; I concur in that very fully.

Mr. BONNER. I want to insert in the record at this point, so one reading the record will have this information, a diagram of the national defense coffee-roasting plants within the United States. (See Oakland Exhibit 3, p. 377.)

Mr. BONNER. I think you have that showing the Navy coffee-roasting plants and showing the Army coffee-roasting plants and showing the transportation of coffee back and forth first to Brooklyn and then back to Corpus Christi, Tex., and first to one place and then back to another and showing the general duplication in the armed services of coffee-roasting installations operated by the armed services.

Were you requested to make the cost studies at the Brooklyn and Oakland coffee-roasting plants, Admiral Royar?

Rear Admiral ROYAR. Yes, sir; we were.

Mr. BONNER. Will you supply that information to us for the record?

Rear Admiral ROYAR. I do not have it for Brooklyn, but Admiral Hipp has the information for Oakland. We have a recent study. (See Oakland Exhibit 5, p. 443 for latest cost studies for Oakland plant.)

Mr. BONNER. When were you requested to make the one for Brooklyn and Oakland?

Rear Admiral ROYAR. I say we were; that is, the Bureau was. I think that was done by Admiral Fox.

Mr. BONNER. When did the admiral request you to make it?

Rear Admiral ROYAR. I could not answer that.

FURTHER STATEMENT OF REAR ADM. T. EARLE HIPP, SUPPLY CORPS, COMMANDING OFFICER, NAVY SUPPLY CENTER, OAKLAND, CALIF.

Rear Admiral HIPP. This coffee-roasting plant at Oakland is a facility of the center. I think the answer to your question, Mr. Chairman, is that after the interest of this committee in the cost of roasting coffee, the Munitions Board undertook to compile data desired by the committee, and a cost study was made after the request of the Munitions Board, which is now a part of the report. An analysis of the entire coffee-processing situation has been available to the committee, and that includes the cost based on figures in 1951.

Mr. WARD. The point here, Admiral, is that the statement was made that it was "more economical" for the Navy to have its own roasting plants when we had the hearing at Brooklyn, April 30, 1951.

Rear Admiral ROYAR. Yes, sir.

Mr. WARD. We want to know when you were requested out here—whoever was in charge—to make this cost report dated July 16, 1951. Could we have the telegram or letter or whatever it was requesting you to make this so we can see a date on it and what you were requested to do?

Rear Admiral ROYAR. I would like to ask Lt. R. A. Andersen, who is in the office of the cost inspector at San Francisco, to answer that question, please, sir.

Mr. CURTIS. Before Lieutenant Andersen answers:

Lieutenant, would you tell us how long you have been in this particular billet, for the record?

STATEMENT OF LT. ROY A. ANDERSEN, OFFICE OF THE COST INSPECTOR, SAN FRANCISCO, CALIF.

Lieutenant ANDERSEN. I was recalled to active duty with the Navy in October of 1950 and was assigned to the office of the supervisory cost inspector in March of 1951.

Mr. CURTIS. What was your civilian background, Lieutenant?

Lieutenant ANDERSEN. I am a certified public accountant of the State of California.

Mr. Chairman, on May 4, 1951, the office of the supervisory cost inspector received a memorandum from the Director of the Cost Inspection Service, Bureau of Supplies and Accounts, requesting

this study, and that is the first time we knew about it, when we were directed to make it.

Mr. WARD. Did they prescribe the format for your report or what was to go into it?

Lieutenant ANDERSEN. Yes, sir; they did, in general—not specifically. If you wish, I can quote from his letter.

Mr. WARD. No. Just supply it for the record.

(The letter referred to follows:)

DEPARTMENT OF THE NAVY,
BUREAU OF SUPPLIES AND ACCOUNTS,
Washington 25, D. C., May 4, 1951.

From: Chief, Bureau of Supplies and Accounts (Cost Inspection Service).
To: Supervisory cost inspector, USN, western area.
Subject: Request for study and analyses of the cost of roasting coffee in the Navy coffee roasting plant, Oakland, Calif.
Enclosure: (1) Copy of Memorandum for the Director, Cost Inspection Service, 00/rh, dated May 4, 1951.

1. Pursuant to the request in enclosure, it is desired that the supervisory cost inspector make a cost study of the operations of the Navy coffee roasting plant at Oakland. It will be noted from enclosure that the purpose of the study is to develop figures which will be comparable with a similar commercial operation and therefore it will be necessary to give consideration to cost items which are not normally present in a Government operation.

2. It is understood that this request has its origin in the work of a congressional committee, and it is requested that the work be expedited to the extent practicable. It is requested that, after the work has been started and is sufficiently underway to enable the supervisory cost inspector to do so, an estimate be submitted of the date when the work will be completed and the report submitted.

3. Ten copies of the report should be submitted to the Cost Inspection Service when this assignment is completed.

G. A. TAYLOR,
(By direction).

DEPARTMENT OF THE NAVY,
BUREAU OF SUPPLIES AND ACCOUNTS,
Washington 25, D. C., May 4, 1951.

MEMORANDUM FOR THE DIRECTOR, COST INSPECTION DIVISION

Subject: Request for cost analyses of the production of roasted coffee in the Navy coffee roasting plants, NSC, Oakland, and NCD, Brooklyn.

1. Please have cost studies made of the Navy coffee roasting plants at the NSC, Oakland, and the NCD, Brooklyn. The studies shall include all elements of cost normally applicable in comparable commercial enterprises.

2. Constructive costs, based on average commercial rates, shall be included for such elements of cost which are not usually applied in costing Navy productive operations: i. e., depreciation of capital equipment (buildings and machinery), insurance, social security, etc.

3. The reports of the studies shall reflect the cost of each element included in determining the actual per pound cost of producing each of the several standard units of issue, packaged ready for shipment from the plant.

4. The data requested are desired for the purpose of comparing the cost to the Navy of producing packaged roasted coffee with the cost of procuring equivalent quality roasted and packaged coffee from commercial sources.

C. W. FOX.

Mr. CURTIS. In making that study, was there any comparable data available for previous years?

Lieutenant ANDERSEN. No, sir; there was not.

Mr. CURTIS. This was a new project?

Lieutenant ANDERSEN. This is the first one we have made of this type.

Mr. BONNER. Prior to April 30, 1951, did the Navy make regular cost studies of their coffee-roasting operations?

Lieutenant ANDERSEN. I could not answer that.

Rear Admiral ROYAR. There were no cost studies made by the cost inspector. However, we did keep very close track of our direct costs—not the constructive cost.

Mr. CURTIS. When you say "we," whom do you mean?

Rear Admiral ROYAR. The center here.

Mr. CURTIS. You mean as far as Oakland is concerned?

Rear Admiral ROYAR. That is right.

Mr. CURTIS. Would that be applicable to other areas?

Rear Admiral ROYAR. Yes, sir. Brooklyn kept its own records, too.

Mr. CURTIS. That was just your direct cost?

Rear Admiral ROYAR. That is right.

Mr. CURTIS. Direct cost would be your green bean?

Rear Admiral ROYAR. And civilian labor and materials that go into packing it.

Mr. CURTIS. But not naval salaries and so forth?

Rear Admiral ROYAR. No, sir.

Mr. BONNER. Do you know whether the Comptroller for the Department of Defense has asked the Army and Navy to keep identical cost data so we can know what the cost is to the two different services?

Rear Admiral ROYAR. I do not know what the Department of Defense has done in regard to the Army. Of course, the Navy here does supply the coffee for the Army and the Air Force and the Marines as well as the Navy.

Mr. BONNER. We note that the studies from the two depots are not identical.

Rear Admiral ROYAR. That may be accounted for by the difference in handling by the two cost inspectors who conducted the studies. They may have had a little different idea.

NEED FOR UNIFORMITY OF COSTING

Mr. BONNER. Do you not think that the Navy should have a uniform system for making cost studies on identical subjects?

Rear Admiral ROYER. I think we should develop identical study procedures. You are quite correct. But again this is something new to us. Until a year or so ago we had not conducted these studies with constructive cost. But it would be very simple, I think, to have a common format for all of the studies.

Mr. BONNER. How does Admiral Fox make this statement on April 30, 1951, that it is more economical when true costs are not available?

Rear Admiral ROYAR. He was comparing, of course, the direct cost of packing and roasting the coffee against what we probably would have to pay for it on the open market and the difference between the direct cost of operating. The cost of personnel on the outside is a great deal larger than the difference between the cost, which includes the constructive cost.

Mr. BONNER. According to the evidence here, Admiral Fox did not know what the cost was at the time he made the statement that it was more economical.

Rear Admiral ROYAR. He knew what the direct cost was.

Mr. BONNER. I am talking about the entire cost. That is what we are interested in.

Rear Admiral ROYAR. You mean with the constructive cost?

Mr. BONNER. Yes, sir.

Rear Admiral ROYAR. I am not prepared to say whether he had a constructive cost study made at that time or not.

Mr. BONNER. Do you consider coffee a military-type item?

Rear Admiral ROYAR. To a certain extent, yes, because the furnishing of good coffee tends a great deal to build a high morale among our people in the field.

Mr. BONNER. Do you think coffee which the services blend and put on the table is superior coffee to that which civilians use?

Rear Admiral ROYAR. No, sir; I would not say it is superior, but it is the same blend all the time. We get the same grade and same quality at all times, and it is equal to some of the better coffee that we buy. But one of our main objectives is to make that blend the same with every cup that is served.

NEED FOR 6 MONTHS' SUPPLY OF COFFEE

Mr. BONNER. Admiral, I take it you are aware that the military use of coffee is 125 million pounds per year, which is about 5 percent of the national consumption. In view of this fact, do you think it necessary that the military have a reserve of 6 months' supply or approximately 62 million pounds of green beans?

Rear Admiral ROYAR. Well, I do not think we have that much backlog now, but it is essential that we keep some reserve stock in the green beans. You cannot keep a reserve in the roasted coffee. It deteriorates too quickly. So any reserve you do have must be in the green beans. Inasmuch as coffee is a foreign product and we depend on ships to bring it in—it is a long way from the producing country to get it here—we feel around 3 to 4 months' supply is a very fair backlog to keep.

Mr. BONNER. Well, has it not been testified that you have a 6 months' supply?

Rear Admiral ROYAR. I would like to ask Captain McKenzie here, who has charge of that, if he can give you those figures exactly.

STATEMENT OF CAPT. D. C. McKENZIE, SUPPLY CORPS, UNITED STATES NAVY, OFFICER IN CHARGE, GENERAL SUPPLY DEPOT

Captain McKENZIE. I am one of the components of the center under whose direct control comes the coffee-roasting plant and the stocks of green beans.

We maintain approximately a 3 to 4 months' supply on hand, although at times in the stock status figures you may see a figure that represents 6 months, but that is actually 6 months on hand and due. We are always, naturally, using coffee, and there is some coming in.

Mr. BONNER. Do you mean 6 months in storage and 6 months in purchase?

Captain McKENZIE. No, sir. The total might be 6 months. It fluctuates, and we might have 3 to 4 months, maybe, actually on hand, and the balance may be en route in the form of contracts not yet delivered.

Mr. BONNER. That is what I mean—6 months in storage and 6 months under contract.

Captain MCKENZIE. No, sir; a total of 6 months.

USE OF CIVILIAN STOCKS IN EMERGENCY

Mr. BONNER. In case of emergency, Admiral, could you not requisition your needs from commercial sources?

Rear Admiral ROYAR. We could. Of course, again, there you would be getting different blends and different grades of coffee. In the past war, during emergencies we have purchased on the outside.

Mr. BONNER. The reason we ask this question is that in the appropriation hearings for 1953 it was stated that it was necessary to maintain an inventory of approximately 62 million pounds to keep an uninterrupted supply to military forces on a world-wide basis. That is where we got the figure that it would be a 6 months' supply.

NAVY NEEDS FOR STORAGE SPACE

How much money did the Navy request for public works in the last appropriation?

Rear Admiral ROYAR. I do not have that figure, but I can supply it for the record.

(The figure referred to follows:)

Item.—What was the amount requested by the Bureau of Supplies and Accounts under the public-works bill for fiscal year 1953?

Comment.—Amount requested by the Bureau of Supplies and Accounts under public-works bill for fiscal year 1953:

Submitted to Chief of Naval Operations:	
Authorization	$196,584,955
Appropriation	129,868,255
Passed by Congress:	
Authorization	24,000,000
Appropriation	31,000,000

Mr. BONNER. Was there any request for funds for storage of naval equipment?

Rear Admiral ROYAR. Yes, sir.

EQUIPMENT STORED OUTSIDE THAT SHOULD BE INSIDE

Mr. BONNER. Does the Navy at the present time store any equipment outdoors which should be in covered storage?

Rear Admiral ROYAR. Yes, sir. we have some stored outside that should be inside.

Mr. BONNER. What is the nature of the equipment?

Rear Admiral ROYAR. Well, there are some types of aviation equipment that are stored outside that should more properly go under cover. There are some other types of equipment, and I can give you a list of that for the record.

(The list referred to follows:)

Item.—Supply a list of equipment throughout the naval supply system now stored in open storage which should be placed in covered storage. Indicate the gross square feet occupied by such equipment.

Comment.—It is estimated that 3,500,000 gross square feet of space are occupied by materials now stored in the open which should be transferred to covered storage. Those items are generally in the following categories:

(*a*) Plywood.
(*b*) Certain items packed in metal drums or pails, such as lubricants, fuels, paints.
(*c*) Ordnance items.
(*d*) Hardware items; e. g., garbage cans, galvanized buckets.
(*e*) Steel in shapes, bars, plates.

Mr. BONNER. It is a considerable type of equipment?

Rear Admiral ROYAR. Various types; yes, sir.

Mr. BONNER. I mean the quantity is a considerable quantity?

Rear Admiral ROYAR. Fairly large.

Mr. BONNER. How much space does the Navy use for its coffee operations in the zone of the interior?

Rear Admiral ROYAR. I will have to get that figure for you, too.

Mr. BONNER. Does anyone present know that?

Rear Admiral ROYAR. We can give you the figure here for Oakland, which is the largest.

SPACE USED FOR COFFEE OPERATIONS AT OAKLAND

Mr. BONNER. What is it here, including packaged goods, storage, and everything else?

Lieutenant ANDERSEN. At Oakland it is 40,000 square feet in the manufacturing building and 40,000 in the green coffee storage building.

Mr. BONNER. Does that include all space necessary to the manufacture of coffee as a finished product?

Lieutenant ANDERSEN. It includes all the space utilized here at Oakland.

Mr. BONNER. Do you have any stored away from here that eventually comes in here?

Lieutenant ANDERSEN. At Stockton.

Mr. BONNER. How much space is used there?

Lieutenant ANDERSEN. I do not have that figure with me, but I can supply it.

Mr. BONNER. Stockton is the only place where green coffee is stored that eventually comes to this plant?

Lieutenant ANDERSEN. Yes, sir.

Mr. BONNER. Does green coffee from the Stockton plant go to any other roasting plant?

Lieutenant ANDERSEN. No, sir.

Mr. CURTIS. I would like to ask a clarifying question.

When you said 40,000 square feet for the manufacturing area and 40,000 storage for green coffee, is that the building we have just inspected?

Lieutenant ANDERSEN. That is right.

Mr. CURTIS. It is the same building? In other words, 80,000 square feet?

Lieutenant ANDERSEN. No, sir. They are actually two separate buildings. One of them is the main concrete building, which is the manufacturing area. However, there is stored in there a certain amount of roasted coffee.

Mr. CURTIS. And also a lot of green coffee?

Lieutenant ANDERSEN. Not a lot of green coffee. This other building is practically contiguous, but it is a differently constructed building.

Mr. CURTIS. It is the same building as far as that goes; is it not?

Lieutenant ANDERSEN. No, sir. I do not believe they consider it the same building. I might be wrong on that, but I consider it a separate building. One is a concrete building with fireproofing, and the other is not fireproofed.

Mr. CURTIS. At least, they are adjoining?

Lieutenant ANDERSEN. Yes, sir.

Mr. CURTIS. I walked entirely through the two buildings, and I saw no distinction.

Lieutenant ANDERSEN. No, sir.

Mr. CURTIS. Those two adjoining buildings are what you are referring to?

Lieutenant ANDERSEN. Yes, sir.

VALUE OF SPACE

Mr. BONNER. How much is the space worth per square foot?

Lieutenant ANDERSEN. It depends on which building you are speaking of. Are you speaking of the main building?

Mr. BONNER. Both buildings.

Lieutenant ANDERSEN. The main concrete building was constructed at a cost of about $7 or $8 per square foot.

Mr. BONNER. What year was that?

Lieutenant ANDERSEN. That construction started——

Rear Admiral HIPP. It was completed in 1940.

Lieutenant ANDERSEN. I was not sure of the year.

Mr. BONNER. What would be the square-foot cost today?

Lieutenant ANDERSEN. I could not answer that, sir.

Mr. BONNER. In asking for the information about the space, the committee means the general over-all space you use in plants, storage, beans, sacks, and so forth.

Do you have any similar figures or comparative figures for the cost to the Army?

Lieutenant ANDERSEN. No, sir; we do not.

NEED FOR BETTER USE OF VALUABLE SPACE

Mr. BONNER. Admiral, do you not feel it would be in the Government's interest to reduce stock levels on civilian items like coffee before requesting the taxpayers to spend more money for the construction of new warehousing space?

Rear Admiral ROYAR. Not in coffee, Mr. Bonner. You see, as I stated before, it is quite a morale factor.

Mr. BONNER. I mean over-all civilian items, like coffee. You only use 5 percent of the importation of coffee.

Rear Admiral ROYAR. That is right. We only use 5 percent, but we do have a particular blend that we use.

Mr. BONNER. Is it different from Veterans' Administration and other blends?

ARMED SERVICES USE SAME BLEND OF COFFEE

Rear Admiral ROYAR. Well, it is the same blend that is used by the Army, the Air Force, and the Marine Corps.

Mr. BONNER. Do we understand that the Army, Air Force, and Marine Corps have now gotten down to a common blend of coffee?

Rear Admiral ROYAR. We are down to a common blend. That is correct.

Mr. BONNER. And yet on the map which we have had inserted in the record, the Army runs coffee-roasting plants and the Navy runs coffee-roasting plants and the Quartermaster of the Marine Corps.

QUARTERMASTER BUYS GREEN COFFEE BEANS FOR ALL SERVICES

Rear Admiral ROYAR. This coffee-roasting plant at Oakland is run for the benefit of all the services. The input comes from the Army Quartermaster Corps, who buys the green coffee. It is delivered to this plant and processed and, when finished, a price is assessed to it and it is redistributed to the four services at the price of the cost of processing.

CROSS-HAULING OF COFFEE

Mr. BONNER. Now, the installation at Pocatello gets its green coffee from—no; that is roasted coffee—from Seattle at the Navy supply depot, and it comes from Oakland, when the Army has a plant at Auburn, Wash., which could supply this plant.

Rear Admiral ROYAR. That is correct, I guess. I cannot give you the answer to that one.

Mr. BONNER. Now, here is Corpus Christi, Tex.

Rear Admiral ROYAR. There is no reason why the naval roasting plant should not——

Mr. BONNER. The Corpus Christi, Tex., station gets its supply from Brooklyn, and there is a coffee-roasting plant at San Antonio, Tex, and another one at Atlanta, and the coffee comes up all the way to Brooklyn and then is shipped back all the way to Texas.

Rear Admiral ROYAR. That is right. Most of that green coffee either comes in at New York or New Orleans.

Mr. BONNER. Well, of course, New Orleans would be very close to Corpus Christi and Atlanta.

Rear Admiral ROYAR. I agree with you 100 percent.

Mr. BONNER. These are the very reasons that this subcommittee has taken up the individual time of Members of Congress to go into these things.

Rear Admiral ROYAR. Correct.

Mr. BONNER. We have taken coffee as just one item. There are hundreds of items where the services have gone into this commercial business, and that is just the reason why we have made a study of this.

Rear Admiral ROYAR. That is right.

Mr. BONNER. These are duplications and overlapping and unnecessary expenditures, freight costs, etc. We ask these questions about improvements and you say "Well, it ought to be done." But it has not been done.

Rear Admiral ROYAR. Well, it has been done in certain places. For example, right here; it has been done right here at this particular

plant. To what extent it has been done in the others I am not prepared to say.

Mr. BONNER. The facts on the Pacific coast do not show it. We have just gone over this case out here. You ship to Clearfield when the Army has a plant at Denver, a commercial plant.

(The Navy advised on November 20, 1952, 3 months after this hearing:)[2]

Cross-servicing agreements have been made between the Navy and the Army which have eliminated the cross hauling mentioned in the report. As of September 18, Navy requirements for coffee in the Seattle area are obtained from the Army in Seattle. As of October 10, Corpus Christi requirements for coffee are being obtained through the Army contract at San Antonio, Tex. As of October 16, Navy coffee requirements in Pensacola and Jacksonville, Fla., and Charleston, S. C., are coming from the Army's plant in Atlanta. After November 7, Navy coffee requirements in Atlanta, New Orleans, and Memphis are being obtained from the Army's plant in Atlanta. On October 28, an agreement was reached between the Navy and Army which provides that all Army requirements of coffee north of and including the Richmond depot will be supplied out of the Navy roasting plant at Brooklyn, N. Y.

Rear Admiral ROYAR. We ship to both the Army and Navy there. It is apparently a cheaper operation to get the coffee from here, because you have to ship the green coffee to Denver, anyway, and you have 15 to 16 percent shrinkage after you roast it. It is undoubtedly more economical to ship the roasted coffee from here than it is to ship the green coffee to Denver.

Mr. BONNER. Do you have any cost analysis that will show this?

PROPER STOCK LEVEL FOR COFFEE

Rear Admiral ROYAR. No, sir.

Mr. BONNER. Of course, that is what we want to get down to. If this subcommittee is wrong, we want to be shown we are wrong, because we have given a good deal of study to these matters before we came out into the field.

Could not the Navy get by with 1, 2, or 3 months' supply of green beans even if they do their own roasting?

Rear Admiral ROYAR. Yes, sir. If we had from 3 to 4 months' supply of green beans in stock here, we could get by with it. And that is just about what we have in stock right now.

Mr. BONNER. According to the record we have read, there is a discrepancy somewhere.

Rear Admiral ROYAR. Captain McKenzie said it was a 6 months' stock on hand. When I say "on hand," I am referring to what is actually in the warehouse. Naturally, there are contracts being made for additional shipments which have not been received yet, but actually there is about a 3½ months' stock at the present time.

Mr. BONNER. Now, as to the statement which we referred to from the Appropriations Committee hearings, they were talking about inventory and not this other on order or otherwise. Is that correct?

Rear Admiral ROYAR. The coffee comes in here, as a rule, by shipload, and naturally when a load of coffee comes in it will raise your inventory a little bit, and it will go down. It will vary. But I think, particularly at this time, that we can very well get along with 3½ to 4 months on the floor. There is no reason why we cannot.

[2] See August 18 agreement, p. 443.

Mr. BONNER. Industry keeps an inventory of several million bags of 132 pounds each at all times, which is a 3 or 4 months' supply. That is the reason we are making this comparison.

Rear Admiral ROYAR. That is correct. I think that is very fair.

Mr. BONNER. What are your present stocks of green beans here and abroad for the Navy?

Lieutenant ANDERSEN. The stocks of green beans—I can speak, incidentally, only for the center—the stocks of green beans are, as previously indicated, on hand 3 to 3½ months, which will fluctuate.

Mr. BONNER. That is at this establishment here?

Lieutenant ANDERSEN. Yes, sir.

Mr. BONNER. Yet you have additional stocks at Stockton that you draw upon.

Lieutenant ANDERSEN. No, sir. That 3 or 4 months' supply includes Stockton. It is a part of the center.

NO STOCKS KEPT OF ROASTED COFFEE

Mr. BONNER. What are your stocks of roasted coffee?

Lieutenant ANDERSEN. We maintain no stocks of roasted coffee other than that which may be assembled on the floor preparatory to filling an order.

Mr. BONNER. What is your current issue?

Lieutenant ANDERSEN. Current issue will run approximately 7 million pounds for the last quarter of fiscal year 1952.

PER CAPITA USE OF COFFEE

Mr. BONNER. Why does the Navy use 39.09 pounds of coffee per annum per person when the Army and Air Force use approximately 38.37?

Rear Admiral HIPP. That I cannot answer.

Mr. BONNER. Do you have any answer to that, Admiral?

Rear Admiral ROYAR. I guess they are heavy coffee drinkers. And, of course, a lot of it goes out to ships and, as you well know, having been to sea on one of our ships, coffee is on tap day and night, practically.

Mr. BONNER. What is the percentage of Navy personnel at sea compared with the Navy personnel ashore? Do you have more at sea or more ashore?

Rear Admiral ROYAR. I could not tell you that.

Mr. BONNER. About what is the breakdown of your personnel?

Rear Admiral ROYAR. I know what you mean, but I will have to supply that for the record.

Mr. BONNER. Is not about 60 percent of the Navy ashore?

Rear Admiral ROYAR. It may be. I would have to supply that for the record.

(The breakdown referred to follows:)

Item.—Indicate the percentage ratio of naval personnel ashore versus naval personnel afloat.

Comment.—The Bureau of Naval Personnel has advised the Bureau of Supplies and Accounts that as of 1 July 1952 naval personnel was distributed approximately 58 percent afloat and 42 percent ashore. However, the Bureau of Naval Personnel pointed out that this distribution will vary between approximately 54–58 percent afloat and 46–42 percent ashore.

Mr. BONNER. This is in the neighborhood of a pound per person more, and at 70 cents a pound, that amounts to a considerable sum of money.

Rear Admiral ROYAR. That is right.

Mr. BONNER. Has anyone ever investigated the usage of coffee as between the services?

Rear Admiral ROYAR. Not to my knowledge, Mr. Bonner.

Mr. BONNER. I ask you, then, why the Navy uses a 70 Santos and 30 Colombian blend of coffee?

Rear Admiral ROYAR. That was a common blend that was decided upon by all the services. It is a good coffee, good tasting, and fairly reasonable. It is economical to buy.

MILITARY COFFEE OF HIGHER GRADE THAN SOME AGENCIES

Mr. BONNER. Several Government agencies use the straight Santos No. 4.

Read Admiral ROYAR. That is correct.

VETERANS ADMINISTRATION USES MORE EXPENSIVE BLEND THAN MILITARY

Mr. BONNER. If the military services used such a grade, it would save them approximately $8.4 million per annum. I also note that the Veterans' Administration uses a more expensive blend than the military. It is a 40 Santos and 60 Colombian. Do you feel they could use the military blend at veterans' hospitals without impairing the health of our veterans?

Rear Admiral ROYAR. I do not think it would impair their health, but they may not like the taste of the blend. It certainly would not impair their health.

Mr. BONNER. The reason I ask you that is that they are from the military.

Rear Admiral ROYAR. Yes, sir. I see no reason why they could not use the same blend.

VETERANS ADMINISTRATION COULD SAVE $60,000 ANNUALLY

Mr. BONNER. If the Veterans' Administration were to do this simple thing, they would save about $60,000 per year.

QUALITY CONTROL

Admiral, do you believe it is possible to get proper quality control without roasting your own coffee?

Rear Admiral ROYAR. It is possible, but it is much more difficult.

Mr. BONNER. If it is possible, how would you do it?

Rear Admiral ROYAR. You would have to have inspectors. In the first place, it would depend upon the type of contractor you had and, of course, the better the contractor, the more experienced man, the less you would probably have to check the roast. But you would have to have an inspector at the roasting plant practically all the time to insure the same blend or the same type of roast.

Mr. BONNER. Do you have a qualified bidder list?

Rear Admiral ROYAR. I do not know.

Do you, Mac?

Captain MCKENZIE. I do not think there has been one compiled lately. Undoubtedly for any local procurement in this area, the Navy purchasing office in San Francisco should have a bidder list.

Rear Admiral ROYAR. The Navy probably would not be as likely to have it, because the Army market center would probably do the purchasing of the coffee if it were purchased commercially.

DISTRIBUTION OF COFFEE FROM OAKLAND

Mr. BONNER. To what points do you distribute coffee?

Captain MCKENZIE. In the case of the Army and the Air Force on this coast in the general area south of Oregon, we make direct deliveries. I have a long list of them here, if you would like those, by specific names.

Mr. BONNER. You will furnish that for the record; will you?

Captain MCKENZIE. Yes, sir; I will furnish that.

SHIPMENTS OF DOMESTIC PACK COFFEE TO ARMY INSTALLATIONS

Deliveries are made to the following:

Fort Ord
Presidio of San Francisco
Hamilton Air Force Base
Travis Air Force Base
Mather Air Force Base
Camp Stoneman
Parks Air Force Base
Castle Air Force Base
McClellan Field
Army Base, Oakland

Shipments to these activities are ordered by Quartermaster, San Francisco.

Camp Cooke
Camp Irwin
Fort MacArthur
Fort Huachuca
Luke Air Force Base
Norton Air Force Base
Nellis Air Force Base
Camp San Luis Obispo
Williams Air Force Base
Edwards Air Force Base
George Air Force Base
March Air Force Base
Camp Roberts
Naujo Ordnance Depot

Shipments to the above activities are ordered by Quartermaster, Los Angeles.

All Army export coffee orders are placed with NSC, Oakland, by Utah Quartermaster, Ogden, Utah. The Army overseas shipping designator is shown on each order. Delivery is usually made to the Oakland Army Base, but on occasion has been barged to Stockton for loading.

Captain MCKENZIE. In addition, we furnish coffee for the Army and Air Force for direct shipment overseas to such places as Korea, the Philippines, Guam, Okinawa, and Japan. I might add in connection with these Army and Air Force and also Marine Corps shipments that there is no backhauling of coffee. We receive the order from the Army Quartermaster at San Francisco or Quartermaster at Los Angeles or, in the case of export, the general depot at Utah. They specify the quantity and the point of delivery and the ultimate destination. We make up the order and turn it over to the Oakland Army base, in the case of the overseas shipments, for direct shipment to the ultimate destination or ultimate consumer. In the case of the Marine Corps, we handle it the same way. We furnish to Camp Pendleton and the Marine Quartermaster here on his order. In the case of the Navy, we again receive orders direct, prepare the orders, and make direct shipments to the ultimate consumer. We furnish all the activities south of Oregon all the way down to San Diego. We also

provide to all the naval overseas bases and what we call fleet issue loads or fleet resupply loads, which go direct to combatant and other forces actually operating on Korea or wherever they might be operating. In addition to that, we make direct issues to individual fleet vessels along the coast. That is the general distribution picture.

CROSS-HAULING RIDICULOUS

Mr. BONNER. Now, Admiral, you have agreed with the subcommittee that it is ridiculous for the military services to carry on cross hauling and unnecessary servicing.

Rear Admiral ROYAR. Yes, sir.

Mr. BONNER. Now, what kind of coordination do you have in your coffee-roasting installations with the Army so as to work out the elimination of what has been pointed out here today?

Rear Admiral ROYAR. That situation has not existed on this coast for some time.

Mr. BONNER. Yes, Admiral; it is existing today. When did you quit this shipping that we have just pointed out on the Pacific coast?

Rear Admiral ROYAR. Well, I am talking about this area. Do you mean up at Seattle—the Seattle area?

Mr. BONNER. Well, where does Bremerton get its coffee?

Rear Admiral ROYAR. They get their coffee from here.

Mr. BONNER. They could get it more economically from Auburn; could they not?

Captain MCKENZIE. They are getting that from the Army up at Washington.

Mr. BONNER. When did you start that?

Captain MCKENZIE. I do not know just what the effective date was.

Rear Admiral ROYAR. Mr. Nielsen, could you tell us?

STATEMENT OF J. P. NIELSEN, QUARTERMASTER, COFFEE ROASTER, NAVAL SUPPLY CENTER, OAKLAND, CALIF.

Mr. NIELSEN. The Army has a plant out at Seattle, and they get their issue up there.

Mr. CURTIS. Was it within the last year? Was it months or years? We are talking about when this was done.

Mr. NIELSEN. The Army has had that plant up there for some time at Seattle.

Mr. BONNER. We are taking into consideration and we are depending upon the Munitions Board report of January 1952. In their study of this situation, the Munitions Board pointed out the facts which we have raised here. As to shipments on the Pacific coast, evidently the Munitions Board has not been informed, then.

Here is another one. This Munitions Board table shows this station in Oregon getting theirs from here via Seattle instead of getting it from the Army depot up there.

NAVY SHIPS TO SEATTLE WHERE ARMY HAS PLANT

Rear Admiral ROYAR. We ship to Seattle for the Navy but nothing for the Army.

Mr. BONNER. You see, when these questions come up and there are conflicts, it confuses the committee, because we are depending on this study that was made by the Munitions Board.

Rear Admiral ROYAR. That is correct.

Mr. BONNER. Admiral, when are you going to initiate with the Army a program of working this unnecessary shipping program out and eliminating the cost of it?

NEED FOR AGREEMENT BETWEEN ARMY AND NAVY

Rear Admiral ROYAR. You are perfectly right. It should be done. At the present time our Provisions Section in the Bureau is having a meeting with the Quartermaster Corps to try to work out the elimination of the cross servicing of coffee. I mean——

Mr. BONNER. It is not what we call cross servicing; it is what we call unnecessary servicing—more expensive servicing.

Rear Admiral ROYAR. What we mean by cross servicing and what we want to do is for the Army roasting plant in a certain area to take care of those areas in cross servicing to all services.

COFFEE ONLY ONE OF MANY ITEMS SUBJECT TO WASTEFUL CROSS-HAULING

Mr. BONNER. Now, Admiral Fox said you had a 90-percent duplication in general stores items. What are you doing about those in addition to coffee? There are about 80 or 90 percent of the items that need to be put in the same category of local service.

Rear Admiral ROYAR. That is correct.

Mr. BONNER. Where there is a duplication elsewhere?

Rear Admiral ROYAR. Yes, sir.

Mr. BONNER. What have you recommended, Admiral, on that?

NEED COMMON ACCOUNTING AND HAULING

Rear Admiral ROYAR. The first thing we can do on that—of course, before you can get a successful cross servicing in all general items, is to get away from the various accounting systems. We have got to come down to a common source of accounting. One of the biggest blockades to cross servicing has been the lack of a single accounting and a single financing for Army and a single system of financing for all the services.

Mr. BONNER. What has been done or what is being done about that?

Rear Admiral ROYAR. It is my understanding that they are going to set up in certain cases stock funds for the other services. I think the Air Force has already started in on that. The Army is planning to do the same. Once they have a stock fund, then there will be very little trouble in cross servicing.

Mr. BONNER. Would you be willing to do it on a broad basis as far as the Navy is concerned?

Rear Admiral ROYAR. Well, that is a pretty hard question to answer, Mr. Chairman.

NAVY REPRESENTATIVE FAVORS MORE ECONOMY IN HANDLING COMMON ITEMS

Mr. BONNER. That is, for these common items—the subject we are talking about now.

Rear Admiral ROYAR. That is right.

Mr. BONNER. It brings about economy and efficiency.

Rear Admiral ROYAR. Rest assured that I would be willing to do anything to bring about economy. That is the thing I would like to see done.

Mr. BONNER. We have agreed to it on medical items and coffee. Now, what about these other items?

Rear Admiral ROYAR. If it could be worked out on common items, I would go right along with you on that, provided there is economy in the process.

Mr. BONNER. The Air Force has agreed to it.

Rear Admiral ROYAR. Yes, sir.

IMPACT OF NAVY OPERATIONS ON NATIONAL ECONOMY

Mrs. HARDEN. I should like to ask the admiral if, in his opinion, the operation of the Navy in the coffee-roasting program contributes to the shortage or the present price of coffee.

Rear Admiral ROYAR. I do not think so. We use such a small amount of coffee that I do not think it contributes at all along that line. As the chairman pointed out, our coffee is only a very small portion of that used in the United States.

Mrs. HARDEN. Do you think because of the Navy purchasing the coffee it has contributed to the price rise?

Rear Admiral ROYAR. As I said, the Army Quartermaster Corps Marketing Service does all the purchasing of the green coffee, and I think that is pretty well spread over the year. So they do not go in for any particularly large amount at any one time.

Mrs. HARDEN. Thank you very much.

RELATIONSHIP OF MILITARY PURCHASES TO MARKET RISES

Mr. CURTIS. I wonder if you would supply us with a graph showing the purchasing of the military against the market rises in the past 4 years.

Rear Admiral ROYAR. I shall try to get it for you.

Mr. CURTIS. That would give us what we want.

Rear Admiral ROYAR. I will certainly try to get that for you. I do not know whether I can get it or not. It would have to come primarily from the Quartermaster Market Service, but I think I can get it.

(The information referred to follows:)

RELATIONSHIP OF MILITARY PURCHASES TO MARKET RISES

Item.—Furnish a graph including two curves covering the period of the last 4 years as follows:

1. Army Quartermaster Marketing Service paid for green coffee beans.
2. Price of green bean on open market for similar period.

Comment.—See attached.

Green bean coffee prices

Period	Santos		Colombian	
	Contract price to Navy (1)	Spot market (2)	Contract price to Navy (1)	Spot market (2)
Fiscal year 1949:				
First quarter	$0.2625	$0.2675	$0.3180	$0.3346
Second quarter	.2728	.2722	.3263	.3485
Third quarter	.2735	.2681	.3330	.3313
Fourth quarter	.2571	.2675	.3132	.3338
Fiscal year 1950:				
First quarter	.2840	.2775	(3) .3300	.3432
Second quarter	(3) .2700	.4850	(3) .3300	.55625
Third quarter	(3) .2700	.46375	(3) .3300	.4908
Fourth quarter	(4)	.4667	(4)	.4988
Fiscal year 1951:				
First quarter	.5556	.5564	.5761	.5758
Second quarter	.5236	.5320	.5537	.5550
Third quarter	.5414	.5452	.5831	.5932
Fourth quarter	(5) .5533	.5425	.5879	.5914
Fiscal year 1952:				
First quarter	.5331	.5351	.5817	.5756
Second quarter	.5264	.5394	.5751	.5870
Third quarter	.5428	.5447	.5789	.5769
Fourth quarter	.5323	.5363	.5615	.5732

(1) Quartermaster purchase agency contract price represents weighted average contract price per pound of green bean coffee quantities awarded for delivery f. o. b. Naval Supply Facility, Brooklyn, during the quarters plotted except for (3) Santos, second and third quarters, fiscal year 1950, and (3) Colombian, first, second, and third quarters, fiscal year 1950, which represent price of green bean coffee transferred from Army stocks instead of direct from contractor sources.

(2) Spot market prices are based on information published by Sprague & Rhodes, Inc., New York, N. Y., using prices shown for Santos No. 4 and averaging spots for Medellin, Manizales, and Giradots, Genuine Excelso Colombian beans. Prices were weighted for months within the quarter in which procurement was made and then weighted to obtain the average price for the quarter.

(4) No green bean coffee was procured from any source for the fourth quarter, fiscal year 1950.

(5) Santos, fourth quarter, fiscal year 1951 represents deliveries to NSC, Oakland, converted to delivered price NSF, Brooklyn. All prices are actual contract prices (gross). Deduction have not been made for discount terms of 1 percent normally offered by the coffee trade for early payment.

NEED FOR COMMON DEPOTS SHOULD BE STUDIED

Mr. BONNER. Admiral, do you not think if these common items were generally distributed from a common depot, it would save billions of dollars in our national defense program? Just common items. I am not talking about technical or special items.

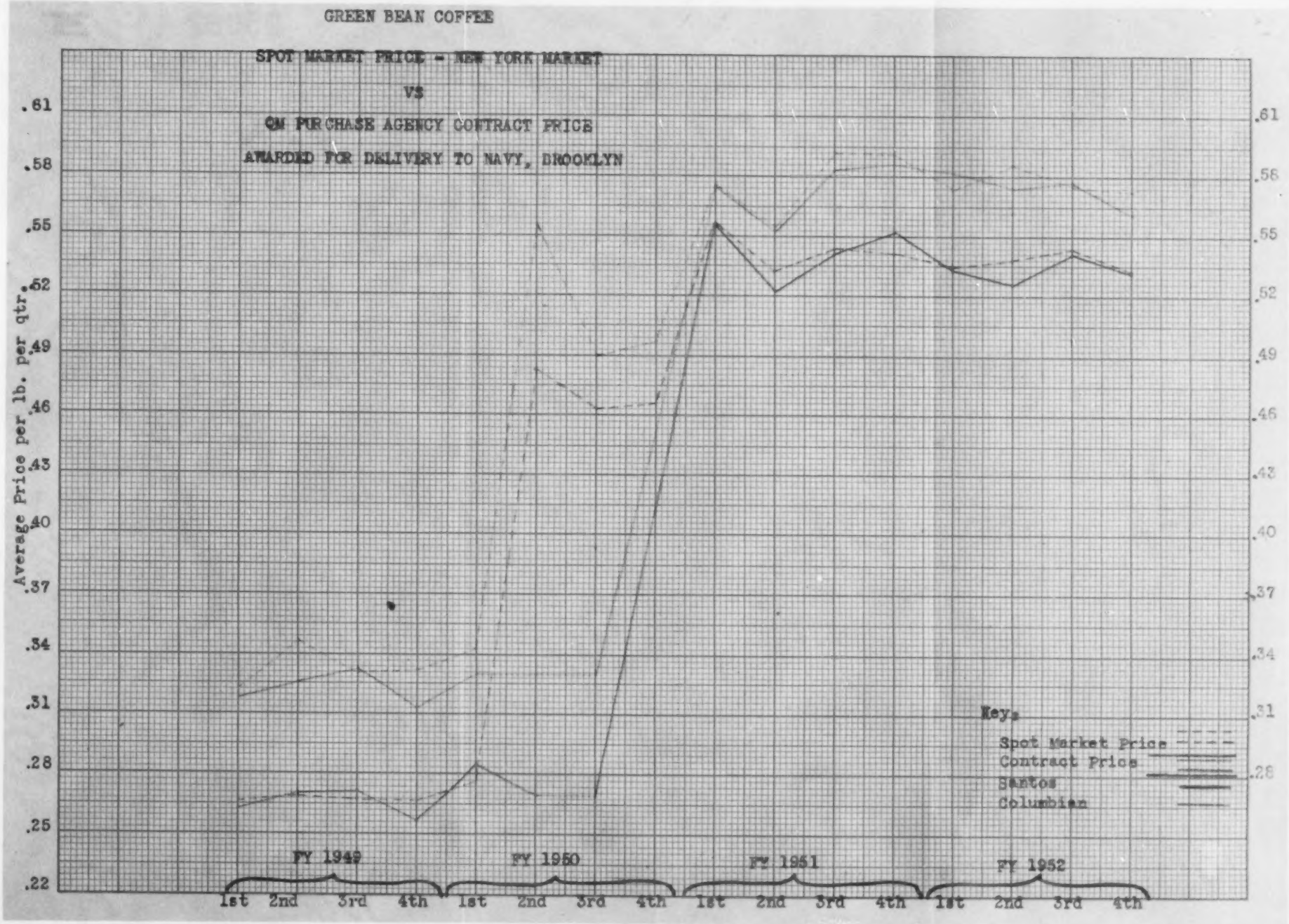
Rear Admiral ROYAR. Well, there again it depends upon the location of the depots. Certainly it is worth study.

Mr. BONNER. You have them located all over the world and all over the United States; have you not?

Rear Admiral ROYAR. Yes, sir.

Mr. BONNER. There are depots and space being abandoned and new space being built. This committee has observed that in its travels. There have been great amounts of space and buildings abandoned. For instance, in St. Louis, Jefferson Barracks was just walked off and abandoned, and in the city of St. Louis the Army Medical Services are occupying office building space. This barracks was near to St. Louis and could well be used. It is very disappointing to this subcommittee to go out and observe those buildings and storage warehouses that had been sold at ridiculous prices to commercial institutions. The Army Finance Center was moved from St. Louis over to Indianapolis when there was ample space in Jefferson Barracks that they could have used. We must get down to a more economical and practical operation.

Rear Admiral ROYAR. I am not familiar with that area at all. We do not have anything in there.


GREEN BEAN COFFEE
SPOT MARKET PRICE - NEW YORK MARKET
VS
ON PURCHASE AGENCY CONTRACT PRICE
AWARDED FOR DELIVERY TO NAVY, BROOKLYN
Average Price per lb. per qtr.
.61
.58
.55
.52
.49
.46
.43
.40
.37
.34
.31
.28
.25
.22
FY 1949
FY 1950
FY 1951
FY 1952
1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th 1st 2nd 3rd 4th
Key:
Spot Market Price
Contract Price
Santos
Columbian

HUNDREDS OF THOUSANDS OF ITEMS COMMON TO BOTH SERVICES

Mr. BONNER. There are hundreds of thousands of items common to both services; are there not?

Rear Admiral ROYAR. I would say so; yes, sir. However, it goes beyond actually the warehousing and actual distribution. There is a big problem that would have to be worked out in regard to stock demands. You would have to coordinate all the demands of the several services to see that you did not overstock or understock and to see that you had all the material for the services.

Mr. BONNER. That is all fine, Admiral, but this has to be done.

Rear Admiral ROYAR. That has to be done. That is correct. That is the big problem that would have to be studied out.

Mr. BONNER. Admiral, how much longer do you think this country can spend $80,000,000,000 a year?

Rear Admiral ROYAR. That is beyond me.

Mr. BONNER. That is on top of a $260,000,000,000 debt.

Rear Admiral ROYAR. Mr. Chairman, I am with you 100 percent in trying to cut down these costs.

Mr. BONNER. What would you recommend personally? You are in a very important position with respect to this subject.

Rear Admiral ROYAR. That is right.

Mr. BONNER. We feel that your counterparts in other branches of the services should get together and make some recommendation. It is not a pleasant task on the Members of Congress to have to push this thing along. But common sense dictates it must be done. Something has got to be done.

Rear Admiral ROYAR. You are entirely correct. The cost must go down.

Mr. BONNER. Private business corporations are studying their systems. They are reducing overhead expense, and we are just wondering if that cannot be done in this field—a field which spends a great deal of money for the Government.

Rear Admiral ROYAR. Of course, there is one danger we must avoid. That is the danger of becoming too big so that we are top-heavy with too much consolidation.

Mr. BONNER. I realize that, but we wouldn't be so big if we had proper organization.

Rear Admiral ROYAR. For example, General Motors has several different companies that are entirely separate that do their own supplying.

Mr. BONNER. Yes. But the subject we are talking about is scattered. Even though it has a central point, it is scattered. That is the principle the corporations work on, du Pont scatters their production.

Rear Admiral ROYAR. That is correct.

Mr. BONNER. They scatter their distribution, but yet there is a central point of control.

Rear Admiral ROYAR. They also have decentralized a lot of their procurement to these scattered places.

Mr. BONNER. Yes. But there is a central point of control for it.

Rear Admiral ROYAR. Yes, sir; the coordinating point.

Mr. BONNER. That is what we are talking about here.

Mr. CURTIS. I want to review some of the things that we have covered here as we have gone along.

You stated that in the event of an emergency you would not be able to go to civilian coffee companies because you might get different blends and different grades. (See pp. 276–277.)

Rear Admiral ROYAR. I would like to correct that if that is what I said.

Mr. CURTIS. Well, perhaps I misconstrued your statement, but maybe you can answer it now. You said you could go to them, but that would be the difficulty in doing it. Am I correct?

Rear Admiral ROYAR. I probably gave you the wrong impression. In case of an emergency, we take any kind of coffee we can get.

QUALITY CONTROL FOR COMMERCIAL COFFEE

Mr. CURTIS. I am wondering why you cannot get the blends and the grades you would want from commercial houses.

Rear Admiral ROYAR. We probably could.

Mr. CURTIS. Especially if you wrote the specifications.

Rear Admiral ROYAR. Yes; and if we wanted to pay for it.

Mr. CURTIS. So that is really a specious argument, it seems to me.

Rear Admiral ROYAR. No, sir. I think probably this afternoon you will hear from the coffee people themselves. But it has been my experience—and it started back in 1927 right here in San Francisco before we established a coffee-roasting plant at Mare Island——

Mr. BONNER. What year was that?

COMMERCIAL COMPANIES NOT INTERESED IN ROASTING FOR NAVY IN 1927

Rear Admiral ROYAR. Around 1927 or 1928. We were having our coffee roasted commercially in San Francisco, and I personally went to several of the big people like Hills Bros., and Folger, and at that time they were not interested in doing our roasting. I think they were fully justified in not being interested, because they had their own plants to take care of. They had enough processing machinery to take care of their processing plants, and they did not feel at that time it would pay them to put in additional machinery to take care of the services.

Mr. CURTIS. May I interrupt, Admiral? Your main theme would be that the commercial enterprises do not want the business. I can understand maybe at a particular time—say in 1927 or any specific time—they might not want to expand. But the point is let us not miss the important question here.

DOUBTS THAT COMPANIES WANT GOVERNMENT BUSINESS

Rear Admiral ROYAR. I am trying to give you a little background on the whole thing.

Mr. CURTIS. The background is not of any help to me unless it deals with this specific point. Do you think right now the commercial companies do not want the business?

Rear Admiral ROYAR. I do not believe they do.

Mr. CURTIS. You do not think they want the business now?

Rear Admiral ROYAR. I do not believe they do. I think we could probably get some small processor who would take the business, but I do not believe the big companies would particularly want it.

Mr. CURTIS. Well, now, this [indicating a letter] is from the National Coffee Association of the United States in answer to a committee inquiry, and this letter is contained in this little bulletin which our subcommittee has put out on commercial-type operations in the Federal Government. That letter is on page 9, dated August 6, 1952, and I quote from our committee print. [Reading:]

Item No. 4: In our opinion the commercial coffee roasters of the United States have sufficient capacity to absorb Government business; and, even if they did not, it would not be difficult to increase this capacity to take care of additional Government business.

Of course, they do 95 percent of the coffee business in the country, anyway, and only 5 percent is for the military.

Rear Admiral ROYAR. That is right.

Mr. CURTIS. Let me ask you, Admiral, on the basis of your remarks, has the Navy made a study or asked these commercial houses whether they want the business? You say right now you do not think they do. On what do you base that opinion?

Rear Admiral ROYAR. I am basing it more or less on the Munitions Board study that you have there. I think they have a letter in there——

Mr. CURTIS. Perhaps this is the letter to which you are referring, from the National Coffee Association under date of May 27, 1952, to Mr. John C. Barr and a study group of the Munitions Board. [Reading:]

With further reference to my conversation with you today, I find our association has never raised an objection to the processing of coffee by the Army and Navy for the use of their personnel. We have felt that the services should not increase existing plant capacity to take care of sudden and temporary emergencies but should fill requirements of this nature by placing contracts with the industry. On the other hand, filling requirements for an established personnel through the use of Government roasting plants we feel has worked out very satisfactorily for the Government and has caused no undue loss to private industry.

Is that what you are referring to?

Rear Admiral ROYAR. Yes, sir.

Mr. CURTIS. Let me make this comment. The Congress and taxpayers are certainly interested in knowing whether or not it costs more money to do it through private enterprise. I am satisfied that if the issues were presented to private industry they will come up with an answer.

I want to get back again to your comment. Was it based upon any study that the Navy has made or simply this letter to the Munitions Board?

COFFEE-ROASTING BUSINESS HAS NOT COMPLAINED

Rear Admiral ROYAR. Let us put it this way: Generally, when people are interested in business, they come to you and they start making complaints that you are taking business away from them. So far as I know, the coffee-roasting business has never had any complaint about our operations.[3] They have never raised the question or asked to get

[3] See statements of Edward Bransten, M. J. B. Co.; also Carlton Carey, Standard Brands; also Peter Folger, J. A. Folger & Co., pp. 457–525.

the business. That fact alone would lead me to believe they are not particularly interested in it.

Mr. CURTIS. Well, of course, the Armed Forces have been in the business for some time.

Rear Admiral ROYAR. That is correct.

Mr. CURTIS. Again I say we are interested in its cost, because it takes money to operate it. We have got to figure out ways and means of saving money.

Rear Admiral ROYAR. I would like to put this in the record if I can, Mr. Curtis.

Mr. CURTIS. Yes, sir.

Rear Admiral ROYAR. As far as I am personally concerned, I do not care whether coffee is roasted in a Government plant or in industry's plants, so long as we get the most for our dollar and are assured of an adequate supply.

Mr. CURTIS. That is exactly what we want.

Rear Admiral ROYAR. Yes, sir.

Mr. BONNER. I think the point in this letter of May 27 from the National Coffee Association may not have been clearly analyzed. This paragraph "We have felt that the services should not increase existing capacity to take care of sudden and temporary emergencies" is certainly good. I grant that I could be convinced and I could agree that probably you should have a plant to be used as a yardstick, an efficient plant to be used as a yardstick, but I think their suggestion about not expanding your facilities to take care of sudden and emergency conditions is a very good one. They go on to say that the additional requirements as a result of such emergencies be handled by subcontracts with industry. I think this letter is a very good letter.

Rear Admiral ROYAR. I think so, too.

Mr. BONNER. I think it points out the fact that we have just been talking about, and that is that you have a sound, good operation for a yardstick to see if you can reach a point where you know what is a fair contract price. But, where you get into the over-all question and go ahead over the years in it, you do not know whether you are doing business right or not. You do not come in contact with private industry, which would in turn serve as a yardstick to your operations.

Mr. CURTIS. Has this plant here been increased in the past year?

Rear Admiral ROYAR. Well, I don't know about the past year.

Mr. CURTIS. Well, recently.

NAVY PLANT INCREASED IN MAY 1951

Rear Admiral ROYAR. In May 1951, I think they put in two burners. I mean they completed the plans for which the plant was originally designed.

Mr. CURTIS. And at the time there was no cost basis, because I have brought that out previously through Lieutenant Andersen—that you did not have any cost basis; so you were just putting it in.

Rear Admiral ROYAR. As I said, we had our direct cost.

Mr. CURTIS. But that means nothing. You will admit that, Admiral.

NAVY COSTS NOT COMPARABLE WITH INDUSTRY COSTS

Rear Admiral ROYAR. It means nothing if you are going to compare it to industry.

Mr. CURTIS. Why, certainly. That is what we are talking about.

Rear Admiral ROYAR. But it means something if you are talking about an out-of-pocket expenditure.

Mr. CURTIS. An out-of-pocket expenditure is a value not coupled with all the other figures, but certainly you would hardly regard that as a basis to go by as to whether it would be cheaper to have the Army and Navy buy their coffee from commercial enterprises rather than to set up their own competing units. That is what we are concerned with. You made the further observation that, if you had the commercial companies producing your coffee, roasting it and so on, you would have to have inspectors in the various plants. That would be no duplication; would it? You have to have inspectors here; do you not?

Rear Admiral ROYAR. If you could get one company to take the whole capacity, you would have fewer inspectors than if you had to divide it among several. That would increase your personnel.

Mr. CURTIS. How many plants do the Army and Navy have altogether?

Rear Admiral ROYAR. We are operating two, one here at Oakland and one at Brooklyn. The Army has one that I know of at Atlanta and one up in Washington. (See Oakland Exhibit 3, p. 378 for list of military roasting plants.)

Mr. CURTIS. And the Marine Corps is now trying to get one, too; isn't it? Or do they have theirs already?

Rear Admiral ROYAR. I think they have it.

Mr. CURTIS. Admiral, the very fact that the Army and Navy have not even taken the trouble to integrate their distribution is an indication that they have not even thought of these things.

Rear Admiral ROYAR. I think you will find that Lieutenant Andersen here has an even later study than the Munitions Board on the subject.

Mr. CURTIS. I am going to get to that in just a minute if I may.

Rear Admiral ROYAR. I think we have some pretty good figures.

Mr. CURTIS. Admiral, commercial coffee companies have inspectors for their large customers; do they not?

Rear Admiral ROYAR. I do not know.

Mr. CURTIS. Have you ever made or do you know whether your Supply Corps has ever made a study of commercial operations in coffee roasting?

Rear Admiral ROYAR. They have from time to time on the east coast; yes, sir.

Mr. CURTIS. Around here is there any integration of information?

Rear Admiral ROYAR. Not to my knowledge right now. Mr. Nielsen here, who is the civilian head of the coffee-roasting plant, I know is in constant touch with people in industry and keeps up with that.

SALES TO COMMISSARIES

Mr. CURTIS. Do you distribute to your commissaries?[4]

Rear Admiral ROYAR. That is right.

Mr. CURTIS. And that is for civilians; is it not?

Rear Admiral ROYAR. Those are service personnel only.

Mr. CURTIS. I mean the families of service personnel. That is what I meant by "civilians."

Rear Admiral ROYAR. Yes, sir.

Mr. CURTIS. Do you know what percentage of coffee goes to families, not only in the zone of interior—but that would be true abroad; would it not?

Rear Admiral ROYAR. Oh, yes.

Mr. CURTIS. That goes to families not only here in the States but overseas, also?

Rear Admiral ROYAR. Yes, sir. I would like to add to that. Commissaries also handle commercial coffee—all brands—and there are a certain number of blended coffees. The Navy coffee is only a portion of the sales of coffee at the commissaries.

Mr. CURTIS. That would be a very interesting study if we could have the figures on your commissary sales of coffee.

Rear Admiral ROYAR. You mean the Navy roast versus the commercial roast?

COFFEE PRICES AT COMMISSARIES

Mr. CURTIS. Yes. Incidentally, what is the price differential between the Navy-roasted coffee and the commercially roasted coffee in the commissaries? Do you happen to know offhand what Navy coffee sells for compared to standard brands in the commissaries where you operate them?

Captain MCKENZIE. I cannot give you the answer, but I can indicate that probably they will not be comparable, because one shipment of coffee that I know of is going overseas for Navy exchange resale. Industry puts it up in 1-pound tins, whereas the coffee produced at this plant goes overseas in 20-pound tins.

Mr. CURTIS. Do you have commissaries here, though?

Captain MCKENZIE. With reference to your local commissaries, your Navy coffee comes in 2-pound bags, whereas your commercial coffee, I believe from what I have observed, is packed in cans, and you would have to consider the cost of your can versus packing and vacuum packing.

Rear Admiral ROYAR. We can get you some figures on that.

Mr. CURTIS. That would be very good. We would all benefit if we had some figures on that, and if they can be supplied for the record it will be fine.

(The information referred to follows:)

Item.—Supply the following information with respect to Navy commissary sales of coffee:

(*a*) Volume of sales of Navy roasted coffee versus total sales of commercial brands for the same period.

(*b*) Sales price of Navy roasted coffee versus average sales price of commercial brand.

Comment.—Sales of Navy roasted coffee versus commercial brand coffee during the months of June and July 1952, were 4 to 1. The average selling price was

[4] See testimony on pp. 457–525 on commissary sales.

$0.70 for Navy roasted coffee and $0.84 for commercial brand coffee. This information is based on actual sales from 11 selected stores. Stores selected were located both inside and outside the continental United States with representative sales volumes.

For the 11 stores sampled, the actual sales during this period were Navy roasted coffee, 125,510 pounds, and commercial brand coffee, 32,316 pounds. The total dollar sales volume for all commissary stores during this period was $6,926,000. The total dollar sales volume for the 11 stores sampled was $3,117,000, or 45 percent of the total. Based on this, it is estimated that a total of 278,911 pounds of Navy roasted coffee and 71,813 pounds of commercial brand coffee was sold during the months of June and July 1952.

Mr. BONNER. I understand the point you are driving at. In the local commissaries you sell both Navy coffee and commercial coffee.

Rear Admiral ROYAR. That is right.

COMMISSARY SALES BASED ON DEMAND—NOT SURPLUS CAPACITY

Mr. BONNER. And the question it, What is the difference in the price per pound?

Rear Admiral ROYAR. That is right.

Mr. CURTIS. I think the consumption figures would be good, too. Do you happen to know, Admiral, are you limited in the amount you send to the commissaries? In other words, what the services do not get you send to the commissaries, or do they have a quota?

Rear Admiral ROYAR. That is based upon consumer demand.

Mr. CURTIS. It is consumer demand?

Rear Admiral ROYAR. Yes, sir.

Mr. CURTIS. In other words, your present capacity will take care of that?

Rear Admiral ROYAR. Oh, yes.

Mr. CURTIS. Yet, I noted in your study here—in fact, you told me—that you were only operating right now on a single-shift basis.

Rear Admiral ROYAR. That is right.

Mr. CURTIS. And you were just recently on a night-shift basis.

Rear Admiral ROYAR. That is right.

Mr. CURTIS. Now, what would bring about such a fluctuation?

Captain MCKENZIE. I think I can answer that. We might be working on a large order for either Navy or Army or Air Force or Marine Corps with an indicated delivery date by which they want that coffee. At the same time we might receive another very large order for either the same or an earlier delivery date which would warrant shifting to a two-shift operation in order to produce that quantity within the time that the customer, shall we say, ordered it.

Mr. CURTIS. Now, Captain, here is something I would like to get, and I think maybe you can supply it for us. We would like to have a little chart showing the inventory as of a certain date—and we might as well take this date as well as any date or any date you select—and that should show the inventory of green coffee on the floor here, the amount in the pipeline coming from Stockton, which is your only supply point, as I understand it. I understand that is shipped by barge to Stockton, and from Stockton to here it also goes by barge.

Captain MCKENZIE. From Stockton to here.

Mr. CURTIS. You would have quite a bit in that pipeline, I imagine, under that type of shipment; would you not?

Captain MCKENZIE. It is such a comparatively short haul it is very hard to say how much would be in that pipeline. Maybe it is only 1 or 2 days from the time it is loaded.

Mr. CURTIS. And then the amount at Stockton and then, of course, you have the pipeline to Stockton, which, I guess, is directly from your boats—import boats—or does it come directly up here to San Francisco?

Captain MCKENZIE. Practically, as far as our records show here, all of the green bean is—well, to take it back a step, the Army Quartermaster makes the contract for the green bean for all of the military requirements, of which a certain portion is for here. Those contracts are made through the local commercial importing firms.

Mr. CURTIS. I appreciate that.

Captain MCKENZIE. Practically all our coffee comes into the port of San Francisco by water from South America, and it is graded by the national coffee representative or inspector.

Mr. CURTIS. Yes; I recall that.

Captain MCKENZIE. Then the ships that are docked at San Francisco are unloaded, and the warehouse here is filled up first and the balance goes by barge up to Stockton. However, wherever possible, where we can make the arrangements, we try to arrange for a dock unloading at Stockton of the green beans that we want at Stockton.

Mr. CURTIS. The Navy allocation is determined at the time of the contract; is that correct?

Captain MCKENZIE. Roughly speaking; yes, sir.

Mr. CURTIS. In other words, the Army, who does your procuring, knows how much you want, and any time a contract is entered into, your portion is set aside at that time?

Captain MCKENZIE. Yes, sir.

Mr. CURTIS. I would also like to have in this computation how much is under contract aside from that which is in the pipeline from South America or wherever it might be coming from to Stockton.

Captain MCKENZIE. You mean the quantity due on the contract and not yet received?

Mr. CURTIS. That is correct—and not yet shipped, for that matter. In other words, what I am trying to get is the over-all picture of your pipeline with a breakdown in the various items so we can see whether it is a 3 or 4 months' supply that you have on reserve. I would like to see how it is broken down in your pipeline.

Captain MCKENZIE. I would like to clarify, if I could, the 3 to 4 months on hand. That is sort of an average figure.

Mr. CURTIS. I appreciate that it would have to be an average figure.

Captain MCKENZIE. As an example, right now our stocks are relatively low, although there is a big delivery of green bean due in next October, at which time our actual on hand will shoot up substantially over what it is now.

COFFEE ROASTING PLANT, NAVAL SUPPLY CENTER, OAKLAND, CALIF.

Report on inventory of green coffee beans on August 25, 1952

1. Inventory status of coffee, green bean, at NSC, Oakland, as of August 25, 1952:

	Pounds
NSC, Oakland	1,067,553
En route between Stockton annex and NSC, Oakland	None
Stockton annex	6,395,808
Total on hand	7,463,361

Based on an average monthly requirement of 2,961,000 pounds, the above total quantity on hand represents a 2.5 months' supply.

2. Coffee, green bean, due for delivery to NSC, Oakland, under purchase contracts, presumably not yet shipped from South America, as of August 25, 1952: Due for delivery in October 1952: 4,153,000 pounds.

The above due for delivery figure covers all contracts on hand.

Based on an average monthly requirement of 2,961,000 pounds, the above figure represents a 1.4 months' supply due under contract, not yet delivered.

Mr. CURTIS. I would like to ask a general question. As I understand it, green coffee can be stored for 8 or 10 years without deterioration.

Mr. NIELSEN. Yes, sir.[5]

Captain MCKENZIE. Earlier this morning the question was asked as to how much square footage was occupied at Stockton. There are at present 10,000 square feet occupied at Stockton. However, this amount is low since our stocks at that point are low. The square footage utilized will increase to as much as 120,000 square feet when a large shipment is received. This shipment is due to arrive next October. After receipt of the new stock, the square footage utilized will decrease with the demand for roasted coffee, working down to about 10,000 to 20,000 square feet prior to a subsequent scheduled delivery of green bean.

Mr. CURTIS. Actually, in the coffee industry there are those storages available in the coffee-growing countries, and if that is so, I do not quite understand this reserve figure which has taken up so much warehouse space in this country and why you have to have such a pipeline.

Captain MCKENZIE. I can give a partial answer to that. The normal requirement formula which is used——

Mr. CURTIS. And by that you mean the requirements formula for all things; is that correct?

Captain MCKENZIE. Basically it is the same. You take into consideration your future demand based on the best experience you have. You predict your on-hand by (1) how often you are getting shipments in and (2) your final objective of getting in your new stocks before you run out of your stocks on hand.

Mr. CURTIS. That is correct.

Captain MCKENZIE. I mean that is the normal thing.

Mr. CURTIS. That is your industrial operation. Now, you have put in there another factor, which is the military reserve factor.

Captain MCKENZIE. We have put in there a factor which we call the safety factor, which you have to have in order to take care of interruptions in the pipeline.

Mr. CURTIS. That would be from a military standpoint, an interruption on that basis.

Captain MCKENZIE. Yes, sir. In other words, some of your ships might not get through.

Mr. CURTIS. I might comment that the military problem of the Caribbean and South America is actually in our zone of defense, and certainly we would not anticipate any interruption there to speak of. One of the things this subcommittee has found, for example, is that a year after the end of World War II in Europe there were more goods and materials in the pipeline than the entire amount used for a 3-year period of fighting on land. Now, of course, you may need some reserve, and you do have to have a pipeline. On the other hand, if you have

[5] See pp. 407, 470 for further comments on this point.

such a vast quantity of material in that pipeline and the pipeline itself is a cushion and you find another cushion in your reserve, and if you go and examine the system to find a further cushion, you end up with this tremendously costly project. For example, Admiral, I might ask you this question: What is the total inventory we now have in supplies and accounts? It is in the billions; is it not?

Rear Admiral ROYAR. It is a little over a billion.

Mr. CURTIS. That is what I meant.

Rear Admiral ROYAR. That is right—of all matériel.

Captain MCKENZIE. Could I just clarify a further point here on this pipeline safety factor? In broad terms, naturally your safety factor in war is going to be greater than it would be in peacetime. In peacetime we might be faced, at least potentially, with interruptions in the pipeline due to shipping troubles or maybe strikes in either loading or unloading the ships.

Mr. CURTIS. But, Captain, your reserve which you have set up has not been geared on that basis, as I understand the problem.

Captain MCKENZIE. There is a slight safety allowance to allow for these things. Of course, it is very hard for anyone to say whether it should be 10 days, a month, or 2 months.

Mr. CURTIS. Well, of course, you have to use your intelligence and do the best you can, and whatever figure you actually arrive at is going to be questioned. We appreciate that fact, but we have to go into that problem and solve it the best we can from time to time and on the basis of good judgment. I appreciate the fact that you can be wrong on these things.

Now, I wanted to clarify a question with Lieutenant Andersen.

In connection with this report or cost study of operations for the period of March 27 to June 26, 1952, on the coffee roasting plant, Navy Supply Center, Oakland, Calif., which is dated August 20, 1952, and signed by G. A. Taylor, commander, Supply Corps, United States Navy, supervisory cost inspector, are you connected with Commander Taylor?

Lieutenant ANDERSEN. That is right. I am on his staff. He is my immediate superior.

Mr. CURTIS. He is your immediate superior?

Lieutenant ANDERSEN. Yes, sir.

Mr. CURTIS. And did you work on this particular project?

Lieutenant ANDERSEN. Yes, sir; I did.

Mr. CURTIS. You probably are also familiar with the report or cost study of coffee roasting plant, Naval Supply Center, Oakland, Calif., for the period January 1 to April 30, 1951, which was made by W. H. Howell.

Lieutenant ANDERSEN. Yes, sir. He was a supervisory cost inspector.

Mr. CURTIS. And when did Commander Taylor take over?

Lieutenant ANDERSEN. I believe it was in November. I am not sure of the exact date, but I think it was November 1951.

Mr. CURTIS. November 1951?

Lieutenant ANDERSEN. Yes, sir; I think that is correct.

DIFFERENCES IN COST REPORTS

Mr. CURTIS. Now, the reports follow different procedures. The new one does not use the same method of reporting that your original one does.

Lieutenant ANDERSEN. Well, I do not think there is much difference on that. We presented it in a little different manner.

Mr. CURTIS. That is what I mean. It is difficult to compare some of the figures, and one figure particularly that is missing is what they had as exhibit F, which was a comparative statement of packaged coffee cost and issue price.

Lieutenant ANDERSEN. Right. We did not include that.

Mr. CURTIS. Can you include it? After all, that is one of the basic things we are after.

Lieutenant ANDERSEN. That is comparative issue price. I think Captain McKenzie has it.

Captain MCKENZIE. I can give the issue price currently used when we issue the three basic types of coffee. I could give you that right now if you would like to have it.

Mr. CURTIS. Yes. I would like to have it supplied in the record. I might be able to follow it in the previous report. If you could make a chart similar to this chart F and supply it to the subcommittee—chart F compares a statement of coffee cost and issue price which was included in this first study—it would be quite helpful.

(The information referred to follows:)

COFFEE ROASTING PLANT, NAVAL SUPPLY CENTER, OAKLAND, CALIF.—REPORT ON COST STUDY OF OPERATIONS FOR PERIOD MARCH 27, 1952, TO JUNE 26, 1952, INCLUSIVE—SUPPLEMENTARY DATA TO REPORT DATED AUGUST 20, 1952

COMMENTS

1. The schedules contained herein are submitted as supplementary information to that contained in the "Report on Cost Study of Operations for Period March 27, 1952, to June 26, 1952, inclusive" issued by the supervisory cost inspector, western area, under date of August 20, 1952.

2. The references to exhibits, etc., in the attached schedules are to those contained in the above-mentioned report.

G. A. TAYLOR,
Commander (SC), USN, Supervisory Cost Inspector, Western Area.

SCHEDULE 1.—*Comparative statement of packaged coffee costs and issue prices*

	Costs per 100 pounds as determined by supervisory cost inspector for period Mar. 27, 1952, to June 26, 1952, inclusive, per exhibit B			Naval Supply Center, Oakland, Calif., issue price per 100 pounds	
	Costs payable from current naval appropriation	Constructive costs	Total	Period	Price [1]
Bagged coffee, whole bean	$65.3731	$0.3772	$65.7503	Apr. 1, 1952–May 14, 1952 May 15, 1952–Aug. 13, 1952	$60.50 65.50
Bagged coffee, ground	65.3996	.3903	65.7899	Apr. 1, 1952–May 14, 1952 May 15, 1952–Aug. 13, 1952	60.50 65.50
Tinned coffee, ground, Navy	67.0891	.4441	67.5332	Apr. 1, 1952–May 14, 1952 May 15, 1952–Aug. 13, 1952	62.50 67.50
Tinned coffee, ground, Army	67.8925	.4526	68.3451	Apr. 1, 1952–May 14, 1952 May 15, 1952–Aug. 13, 1952	63.50 68.50

[1] The issue prices of roasted coffee are periodically adjusted by the Naval Supply Center, Oakland, according to cost data reflected on NavSandA Form 279. As at July 31, 1952, the above-mentioned report reflected a net overabsorption of costs of approximately $4,500.

SCHEDULE 2.—*Provision for depreciation of buildings for period Mar. 27, 1952, to June 26, 1952, inclusive*

Building	Floor area	Cost	Annual depreciation rate [1]	Annual depreciation	Depreciation, 3 months
	Square feet		*Percent*		
Concrete building	[2] 44,661	$290,406.44	2.5	$7,260.16	$1,815.03
Wood frame warehouse	40,000	120,000.00	2.67	3,204.00	801.00
Total (exhibit D, schedule 1)					2,616.03

	Concrete building	Warehouse	Total
Allocation to cost centers:			
Green coffee warehousing (exhibit D, schedule 3)		$680.85	$680.85
Empty tins and cartons warehousing (exhibit D, schedule 4)	$530.54	120.15	650.69
Packaged roasted coffee warehousing (exhibit D, schedule 6)	724.38		724.38
Cleaning and roasting (exhibit D, schedule 7)	414.73		414.73
Grinding (exhibit D, schedule 8)	35.39		35.39
Bagging (exhibit D, schedule 9)	10.53		10.53
Tinning and cartoning (exhibit D, schedule 10)	99.46		99.46
Total	1,815.03	801.00	2,616.03
Basis of allocation, percentage of space utilized:			
Green coffee warehousing		85.00	
Empty tins and cartons warehousing	29.23	15.00	
Packaged roasted coffee warehousing	39.91		
Cleaning and roasting	22.85		
Grinding	1.95		
Bagging	.58		
Tinning and cartoning	5.48		
Total	100.00	100.00	

[1] Annual depreciation rates were taken from Bureau of Internal Revenue Bulletin F, published in 1942, and/or the Accountants Handbook, 2d ed.

[2] Floor area of concrete building:

	Square feet
First floor	40,000
Second floor	3,886
Third floor	775
Total	44,661

SCHEDULE 3.—*Provision for depreciation of machinery and equipment by cost center for period Mar. 27, 1952, to June 26, 1952, inclusive*

Cost center	Cost	Average normal annual depreciation rate [1]	Normal annual depreciation	Normal weekly depreciation	Depreciation for period				Exhibit reference
					Items accelerated, 5 weeks, at 100 percent of normal	Items subject to depreciation,[2] 8 weeks, at 130 percent of normal	Items not subject to accelerated depreciation, 13 weeks, at 100 percent of normal	Total	
		Percent							
Green coffee warehousing	$8,400.00	20.00	$1,680.00	$32.30	$161.50	$335.92		$497.42	Exhibit D, schedule 3.
Empty tins and carton warehousing	4,800.00	20.00	960.00	18.46	92.30	191.98		284.28	Exhibit 3, schedule 4.
Packaged roasted coffee warehousing	7,200.00	200.0	1,440.00	27.69	138.45	287.98		426.43	
	6,510.00	11.84	771.00	14.83			$192.79	192.79	
	13,710.00	16.13	2,211.00		138.45	287.98	192.79	619.22	Exhibit D, schedule 6.
Cleaning and roasting	105,764.04	6.66	7,048.89	135.55	677.75	1,409.72		2,087.47	
	6,510.00	11.84	771.00	14.83			192.79	192.79	
	112,274.04	6.97	7,819.89		677.75	1,409.72	192.79	2,280.26	(Exhibit D, schedule 7.
Grinding	20,577.00	8.22	1,691.79	32.53	162.65	338.31		500.96	Exhibit D, schedule 8.
Bagging	2,725.00	8.38	228.38	4.39			57.07	57.07	Exhibit D, schedule 9.
Tinning and cartoning	9,895.00	8.76	866.37	16.66	83.30	173.26		256.56	Exhibit D, schedule 10.
	172,381.04	8.97	15,457.43		1,315.95	2,737.17	442.65	4,495.77	Exhibit D, schedule 1.

[1] These rates are composite rates derived from application of annual depreciation rates set forth in Bureau of Internal Revenue Bulletin F published in 1942, and/or the Accountants Handbook, 2d ed., to individual items of machinery and equipment.

[2] The plant operated on a 2-shift basis (8 hours per shift) for 8 of the 13 weeks covered by the study. Therefore an allowance for accelerated depreciation of the affected machinery and equipment items was made for 8 weeks at the suggested accelerated rate (130 percent of normal) contained in the Accountants Handbook, p. 658.

SCHEDULE 4.—*Provision for property taxes on buildings and land for period Mar. 27, 1952, to June 26, 1952, inclusive*

Building	Area	Assessment rate [1]	Computed assessed value	Annual tax at $1.39 per $100 [1]	Tax, 3 months
Concrete building	707,300 cubic feet	16 cents per cubic foot	$113,168		
Land	52,900 square feet	20 cents per square foot	10,580		
Total			123,748	$9,144.98	$2,286.25
Wood frame warehouse	40,000 square feet	70 cents per square foot	28,000		
Land	52,900 square feet	20 cents per square foot	10,580	2,851.06	712.77
Total			38,580		
Total (exhibit D, schedule 1).					2,999.02

	Concrete building and land	Warehouse and land	Total
Allocation to cost centers: [2]			
Green coffee warehousing (exhibit D, schedule 3)		$605.85	$605.85
Empty tins and cartons warehousing (exhibit D, schedule 4)	$668.27	106.92	775.19
Packaged roasted coffee warehousing (exhibit D, schedule 6)	912.44		912.44
Cleaning and roasting (exhibit D, schedule 7)	522.41		522.41
Grinding (exhibit D, schedule 8)	44.58		44.58
Bagging (exhibit D, schedule 9)	13.26		13.26
Tinning and cartoning (exhibit D, schedule 10)	125.29		125.29
Total	2,286.25	712.77	2,999.02

[1] The assessor's office, county of Alameda, Calif., without inspection of the physical plant, furnished information relative to determination of assessed valuations of real properties. The county of Alameda and city of Oakland, Calif., combined tax rate for the fiscal year ended June 30, 1952, of $7.39 per $100 of computed assessed value was used to determine property taxes applicable to the 3-month period under study.

[2] Basis of allocation is the same as that used in allocation of depreciation of buildings (see schedule 2).

SCHEDULE 5.—*Provision for property taxes on machinery and equipment by cost center for period Mar. 27 to June 26, 1952, inclusive*

Cost center	Cost	Computed assessed value [1]	Annual tax at $7.39 per $100 [1]	Tax, 3 months	
				Amount	Exhibit reference
Green coffee warehousing	$8,400.00	$1,344	$99.32	$24.83	Exhibit D, schedule 3.
Empty tins and carton warehousing.	4,800.00	768	56.76	14.19	Exhibit D, schedule 4.
Packaged roasted coffee warehousing.	13,710.00	1,983	146.54	36.64	Exhibit D, schedule 6.
Cleaning and roasting	112,274.04	24,634	1,820.45	455.11	Exhibit D, schedule 7.
Grinding	20,577.00	3,935	290.80	72.70	Exhibit D, schedule 8.
Bagging	2,725.00	392	28.97	7.24	Exhibit D, schedule 9.
Tinning and cartoning	9,895.00	1,803	133.24	33.31	Exhibit D, schedule 10.
Total	172,381.04	34,859	2,576.08	644.02	Exhibit D, schedule 1.

[1] The assessor's office, county of Alameda, Calif., without inspection of the physical plant, furnished a formula for the determination of assessed valuations of machinery and equipment, which formula was applied to the individual items within each cost center. The county of Alameda and city of Oakland, Calif., combined tax rate for the fiscal year ended June 30, 1952, of $7.39 per $100 of computed assessed value was used to determine property taxes applicable to the 3-month period under study.

SCHEDULE 6.—*Provision for property taxes on inventories for period Mar. 27 to June 26, 1952, inclusive*

Inventory item [1]	Cost value on hand at assessment date	Assessed value at 33⅓ percent of cost [2]	Annual tax	Tax, 3 months	
				Amount	Exhibit reference
Empty tins and cartons	$35,898.62	$11,965.00	$884.21	$221.05	Exihbit D, schedule 4.
Empty bags	21,039.02	7,012.00	518.19	129.55	Exhibit D, schedule 5.
Total	56,937.64	18,977.00	1,402.40	350.60	Exhibit D, schedule 1.

[1] No tax applies to inventories of green coffee by virtue of its being an imported item stored in the same bags in which it was shipped by the exporter. No tax was applied to inventories of packaged roasted coffee since, to make the cost study of operations comparable to those of a commercial coffee processing firm, it was assumed that a commercial firm supplying the Government with roasted coffee would prudently arrange to have negligible inventories of such roasted coffee on hand at tax assessment date in order to minimize the tax. Had a provision for tax on the inventory of roasted coffee been included, an increase in cost of approximately $0.06 per 100 pounds of packaged roasted coffee would be reflected.

[2] The assessor's office, county of Alameda, Calif., stated that the assessed value of inventories would be ⅓ of actual cost. The county of Alameda and city of Oakland, Calif., combined tax rate for the fiscal year ended June 30, 1952, of $7.39 per $100 of computed assessed value was used to determine property taxes applicable to the 3-month period under study.

SCHEDULE 7.—*Provision for fire insurance on buildings and machinery and equipment for period March 27, 1952, to June 26, 1952, inclusive*

Item	Location	Assumed insured value [1]	Recommended annual premium rate per $100 [1]	Annual premium	Three-year policy premium at 2½ times annual premium	Effective annual premium	Insurance 3 months
Buildings:							
Concrete building (sprinkler equipped)		$435,000.00	$0.044	$191.40	$478.50	$159.50	$39.87
Wood frame warehouse		180,000.00	.315	567.00	1,417.50	472.50	118.12
Machinery and equipment:							
Green coffee warehousing	Warehouse	8,400.00	.599	50.32	125.80	41.93	10.48
Empty tins and cartons warehousing	Concrete building	2,400.00	.093	2.23			
	Warehouse	2,400.00	.599	14.38			
				16.61	41.52	13.84	3.46
Packaged roasted-coffee warehousing	Concrete building	13,710.00	.093	12.75	31.87	10.62	2.66
Roasting and cleaning	do	112,274.04	.093	104.41	261.03	87.01	21.75
Grinding	do	20,577.00	.093	19.14	47.85	15.95	3.99
Bagging	do	2,725.00	.093	2.53	6.33	2.11	.53
Tinning and cartoning	do	9,895.00	.093	9.20	23.00	7.67	1.92
Total				973.36	2,433.40	811.13	202.78

		Concrete building	Warehouse	Machinery and equipment	Total
Allocation to cost centers: [2]					
Green coffee warehousing	Exhibit D, schedule 3		$100.40	$10.48	$110.88
Empty tins and cartons warehousing	Exhibit D, schedule 4	$11.65	17.72	3.46	32.83
Packaged roasted-coffee warehousing	Exhibit D, schedule 6	15.92		2.66	18.58
Cleaning and roasting	Exhibit D, schedule 7	9.11		21.75	30.86
Grinding	Exhibit D, schedule 8	.77		3.99	4.76
Bagging	Exhibit D, schedule 9	.23		.53	.76
Tinning and cartoning	Exhibit D, schedule 10	2.19		1.92	4.11
Total	Exhibit D, schedule 1	39.87	118.12	44.79	202.78

[1] Fire insurance rates were secured from representatives of the local fire insurance rating bureau. Actual inspection of the physical plant was not made by them, and the rates recommended were based on information submitted by the supervisory cost inspector. The rates are based on a 90 percent average clause, less 16.67 percent for 3-year policies. The constructive cost for fire insurance on the buildings was based on estimated insurable values of 150 percent of 1942–43 initial costs. The insurable value of machinery and equipment was assumed to be initial costs on the theory that accumulated depreciation has offset the difference from original costs to present replacement costs.

[2] Basis of allocation of provision for fire-insurance cost on buildings is the same as that used in the allocation of depreciation of buildings (see schedule 2).

SCHEDULE 8.—*Provision for fire insurance on inventories for period March 27, 1952, to April 26, 1952, inclusive*

Inventory item	Location	Insurable value [1]	Recommended annual premium rate per $100 [2]	Annual premium	3-year policy premium at 2½ times annual premium	Effective annual premium	Insurance, 3 months	
							Amount	Exhibit reference
Green coffee	Warehouse	$2,308,682	$0.668	$15,422.00	$38,555.00	$12,851.66	$3,212.91	Exhibit D, schedule 3.
Empty tins and cartons	do	62,855	.668	419.87				
	Concrete building	17,632	.093	16.40				
				436.27	1,090.68	363.56	90.89	Exhibit D, schedule 4.
Empty bags	Warehouse	22,825	.668	152.47	381.18	127.06	31.77	Exhibit D, schedule 5.
Packaged roasted coffee	Concrete building	846,121	.093	786.89	1,967.22	655.74	163.93	Exhibit D, schedule 6.
Total				16,797.63	41,994.08	13,998.02	3,499.50	Exhibit D, schedule 1.

[1] The insurable value of green coffee has been based on the cost of a 60 days' supply and the insurable values of the other inventories have been based on the cost of the average month-end inventories of the 12 months ending June 30, 1952.

[2] Fire insurance rates were secured from representatives of the local fire-insurance rating bureau. Actual inspection of the physical plant was not made by them and the rates recommended were based on information submitted by the supervisory cost inspector. The rates are based on a 90-percent-average clause, less 16.67 percent for 3-year policies. Cost was the insurable value used in determining the constructive cost of fire insurance on inventories.

Incidentally, is that the price that is used to determine the price at the commissary?

Lieutenant ANDERSEN. I do not know in detail just how they determine the price at the commissary, but the price we will give you will be the price that they are in effect billed by the center. They may add on a certain percentage.

DETERMINATION OF COMMISSARY PRICES

Mr. CURTIS. Captain McKenzie, who determines for the commissary the price, and how is the price arrived at?

Captain MCKENZIE. In the case of Navy exchanges, that is under the over-all control of the Navy Ship Stores Office in Brooklyn.

Mr. CURTIS. Are you called upon to supply figures to anyone in order to reach the price that is used in the commissary in arriving at the commissary figure or sale price?

Captain MCKENZIE. To my knowledge, I do not think we furnish cost or issue price figures.

Mr. CURTIS. Do you furnish them any data that goes to make up the price?

Rear Admiral ROYAR. I think I can clarify that, Mr. Curtis. When the coffee goes to the commissary, it is invoiced on a money price invoice, and the commissaries add enough on to take care of their share of the overhead.

Mr. CURTIS. Yes, sir. But where is that original price of the invoice figured?

Rear Admiral ROYAR. That is prepared right here at the center.

Mr. CURTIS. Who prepares it? That is what I am getting at. Who prepares that?

Captain MCKENZIE. Are you talking about the issue price? The price shown on the issue invoices?

Mr. CURTIS. If that is a factor on your commissary price.

Captain MCKENZIE. That is arrived at here. It is based on a continuing monthly study of the actual cost against appropriations.

DIRECT COSTS USED IN PRICING TO COMMISSARIES

Mr. CURTIS. That is your direct cost that you were talking about?

Rear Admiral ROYAR. Direct cost. That is out-of-pocket cost.

Mr. CURTIS. In view of the fact that the new study has been made, do you suppose you will have that method of computing your invoice price to the commissary?

Lieutenant ANDERSEN. The only difference or change in this new study is this: The cost inspector has included, let us say, imaginary costs in our figures that are comparable to industry to try to bring our operation on a level with industry. The cost of depreciation, of insurance, social security, which are not out-of-pocket costs themselves at all and therefore do not go against the appropriation.

Mr. CURTIS. Yes, sir. But depreciation of machinery certainly does, because you all are going to be before Congress to get money to buy new machinery.

Lieutenant ANDERSEN. That is right; but we have a different part of the appropriation that pays for that, though.

Mr. CURTIS. It comes from the same source, lieutenant—the Treasury of the United States. Now, why would you not, in view of the fact that a study has now been made which includes some of these very real costs—why should not those costs be included with this operation here?

Rear Admiral ROYAR. Because they are not directly chargeable against that appropriation.

Mr. CURTIS. In other words, you are just going to stick with your accounting system?

Rear Admiral ROYAR. No, sir. It is the way Congress allots us the money in the appropriation.

Mr. CURTIS. I appreciate that, sir. We allot the money that way. But on the other hand, we are talking about expenditures here and the fact that the money comes back in, which it does, and you could get additional money back in; could you not?

DEPRECIATION NOT RECOVERABLE

Rear Admiral ROYAR. No; not that way—not by charging depreciation to the cost of the coffee.

Mr. CURTIS. Why could you not if you placed that additional factor in your coffee price at the commissary? Why is not that the way to do it?

Rear Admiral ROYAR. I am not arguing that that is not the right way to do it, but the appropriation as it is set up now is such that we cannot do it that way.

Mr. CURTIS. We are talking about expenditures now.

Rear Admiral ROYAR. That is right.

Mr. BONNER. Do you mean there is something in the appropriation act that prohibits you from putting in the cost of depreciation?

Rear Admiral ROYAR. In the appropriation act we only make direct charges against the appropriation. Depreciation is an indirect charge, and that is handled in a special appropriation where we go up to Congress and ask for money for new machinery.

Mr. CURTIS. Admiral, I appreciate that, but here is what I am getting at. Suppose you turned this additional money over to them—all the money you do get for the sale of coffee—or do you turn it back into the general fund?

Rear Admiral ROYAR. That goes back to the stock fund.

Mr. CURTIS. Yes. And this additional money would go back to the stock, and therefore you would require less money on this particular appropriation as you go along, and actually the money would be saved. So, when you come before Congress for new machinery appropriations, it would be perfectly correct. In the meantime, we have saved on an appropriation at this level. So I think you could do it if you want to do it. I agree with you that it has not been done.

ECONOMY ACT PROCEDURE

Mr. WARD. Admiral, I am positive that under section 601 of the Economy Act and the interpretation of that by the Comptroller General when you furnish a service to another agency or with your own agency, you can charge depreciation on the equipment that is involved under that formula. There are numerous decisions that permit that.

Mr. CURTIS. Mr. Chairman, I think that should be looked into, because this is not just on coffee, as you know.

Rear Admiral ROYAR. That is right.

Mr. CURTIS. This committee is using coffee merely as an example so we can follow this one item and get a picture of how other items would be connected into this thing.

Mr. BONNER. What percentage do you add to goods in commissaries for overhead cost or mark-up?

Rear Admiral ROYAR. That depends upon the individual commissary. Just enough is added to take care of their cost.

Mr. BONNER. What is the figure? It is certainly bound to be a flat figure. That is the only way business can operate.

Rear Admiral ROYAR. That is right.

Mr. BONNER. Is there an overhead cost figure that they add to the cost of operation and rendering service? Is it not just a common figure?

MARK-UP ABOUT 15 PERCENT AT COMMISSARIES

Rear Admiral ROYAR. It is about 15 percent.

Mr. BONNER. A 15 percent mark-up on all goods that go into the commissaries?

Rear Admiral ROYAR. Yes, sir; but it will vary.

Mr. BONNER. It will vary in what range, Admiral?

Rear Admiral ROYAR. I would say that 15 percent is about the level.

Mr. BONNER. Can you operate a commissary on a 15 percent mark-up?

Rear Admiral ROYAR. I think so.

Mr. BONNER. Well, it is not a case of thinking, Admiral; it is a case of knowing.

Rear Admiral ROYAR. I would like to give you the exact figures for the record.

(The information referred to follows:)

Item.—Supply the formula used and the factors included in determining the percentage markup to be used on stock sold at Navy commissary stores.

Comment.—There is no standard formula used to determine the percentage markup on groceries sold in Navy commissary stores. Commissary stores are required to generate sufficient profits to support all costs of operation, for replacement of worn-out equipment, and for procurement of additional equipment.

Each store is required to generate sufficient profits in excess of the cost of operation to maintain a limited unobligated profit fund. The limit to be retained as unobligated profits is based on the sales volume of each store. All unobligated profits generated in excess of this limit must be turned in to the commissary store reserve fund. This fund is used to absorb unusually large losses incurred by individual stores and to procure equipment for newly established stores.

During the fiscal year 1952 new equipment installed in commissary stores cost $750,934. All other operating expenses cost $936,543. Total commissary store sales over the same period were $39,360,150. The cost of operation, including cost of new equipment, during the period averaged approximately 4 percent of total sales. This represents the typical Navy commissary store markup.

As a general practice, selling prices in the meat department are established at a break-even level. The markup in the remainder of the departments is generally established at a level to produce sufficient profit to support the cost of operation and procurement of new equipment. The meat department accounts for approximately 25 percent of total sales. An officer in charge of a commissary store with a sales volume of $100,000 monthly and operating on this principle would know that he must generate approximately $4,000 profit from $75,000 sales, or that all merchandise sold in the grocery, household, and produce departments

must be marked up approximately 6 percent. The pricing policy of commercial stores which sell volume staple items such as canned milk, baby food, soap powder, etc., at cost or with just a slight markup and sell household supplies, spices, and other slower moving items with a heavier markup is frequently followed. Normally the profit obtained from merchandise marked up more than 6 percent makes up for profit lost on items marked up less than 6 percent.

Two other systems are sometimes used to mark up items sold in the grocery, household, and produce departments. One consists of a 5-percent markup on all items costing 50 cents or less and a 10-percent markup on all items costing more than 50 cents. The other is to establish a markup of one full cent on items costing 20 cents or less and a full cent increase for items in each 20-cent segment, i. e., two full cents on items costing 40 cents or less, etc.

Mr. BONNER. That should include all the salaries and lands and buildings and the deterioration and everything else that anyone else would have to pay to operate that commissary.

Rear Admiral ROYAR. Again, I would like to give you those figures for the record.

Mr. CURTIS. I have some questions that I am going to direct to Lieutenant Andersen. In going through both of these cost studies of the coffee-roasting plant here at Oakland, the very fact that the first study—the reporting method of the second study does not follow the form of the first in itself alarms me a little bit.

Lieutenant ANDERSEN. In what way, sir?

Mr. CURTIS. The fact, even though these are studies and we are trying to get conclusions from them, it makes it much more difficult if one is not a continuation of the other. Furthermore, the cost study we received from the Navy coffee-roasting plant at Brooklyn, N. Y., follows another form. Is there not some method in the Navy Accounting Services or system that calls for a format with some similarity about it?

Lieutenant ANDERSEN. Let me answer it this way, sir. We are primarily in the business of analyzing contract costs under Navy, Air Force, or Army contracts with commercial enterprises and we are very seldom called upon to make studies such as this.

This coffee roasting plant study was one of the first ones we have been called upon to make of Navy operations, and, therefore, there are two different offices within the same organization—two different offices doing the job. One office was the Brooklyn office, the supervisory cost inspector, eastern area, and we made the study on Oakland, under the supervisory cost inspector, western area, and it is true that we did not follow the same system. Now, we may be criticized for that, but we used the approach which we thought was best here.

Mr. CURTIS. I am making this observation so that when these studies are made in the future that they be made with the thought in mind as to what they were to be used for. It is extremely helpful to us.

Mr. BONNER. Do I understand you to mean there should be a uniform pattern?

Mr. CURTIS. Yes, so you can check up on the items.

Mr. BONNER. So we could compare Brooklyn with Oakland?

Mr. CURTIS. Yes, sir.

This one covers the period from January 1, 1951, to April 30, 1951, and the pick-up study from March 27, 1952, to June 26, 1952, should come about the same way.

Lieutenant ANDERSEN. Yes, sir. What items do you want to develop?

Mr. CURTIS. I will tell you frankly, this was just handed to me and all I have been able to do was to run over it very hurriedly and have observed that it was not the same. Later I will get into that.

Here are some things that I am a little disappointed are not included in either of these three cost studies. Nowhere in here is the amount of square foot storage space or the type and amount of building area devoted to the manufacturing end of this thing and the amount for warehousing. Those figures seem to me to be pretty obviously necessary to be included if anyone is to reach any intelligent conclusion on the amount of cost that you apply for the utilization of buildings.

Lieutenant ANDERSEN. Sure.

Mr. CURTIS. The same thing would apply to machinery. You have machinery depreciation, but nowhere does it show what the machines are, their original purchase price, the year they were purchased or anything else. I am not an accountant but I have been over a number of statements over a period of years, and I cannot understand what this was supposed to have been. This was supposed to be a cost accounting?

Lieutenant ANDERSON. Right.

Mr. CURTIS. That someone could go over and determine what the costs are. Without those factors which I mentioned, how could anyone go over it and recheck your own conclusions?

Lieutenant ANDERSON. That is a perfectly legitimate question. We prepare these reports along the line that we would normally do it if we were working on a commercial enterprise. I ask you this—this is just a possible justification—I am not criticizing what you are asking for, because it is good——

Mr. CURTIS (interposing). Yes.

Lieutenant ANDERSON. But review any cost analysis or statement published for commercial enterprises and I do not think you will find that information went in the analysis.

Mr. CURTIS. Maybe they do not do it on the west coast, but I will say it is almost axiomatic that you include your general description of your machinery and certainly your purchase price and certainly the amount of square feet you are using in your warehouse and so on. I do not want to quibble over that. Those are figures and information that I think we should have.

Lieutenant ANDERSON. After this year, I assure you——

Mr. CURTIS (interposing). If you can supply that to the subcommittee, I will appreciate it, and also another factor that might be included and which would be very helpful to us, is the figure which was asked about and which I believe will be supplied for the record, and that is constructive costs in this area of warehouse space. What the figure is around here per square foot. I believe they do have a reference to the cubic content in the event that has any bearing on what you might have stored or in your warehouse.

You did include, I notice, your tax estimate which you secured from your local tax people. Is the tax based on the type of building and the square footage of the warehouse and so on?

Lieutenant ANDERSON. Yes, sir.

Mr. CURTIS. You must have supplied that information.

Lieutenant ANDERSON. We have the information. Oh, yes; don't get me wrong, but we just did not include it in the finished report.

Mr. CURTIS. You used that working data, but did not include it?

Lieutenant ANDERSON. That is right.

Captain MCKENZIE. I might add that Lieutenant Anderson and I got together to try and make an estimate as to how far down in the back-up detail to go into in this report, and I suppose we just guessed a little bit wrong as to the amount of detail you would be interested in.

Mr. CURTIS. You see what our committee is trying to do—we are getting right down to bedrock. On this question of warehouse square footage and what it cost in certain areas is important. We have the problem of multiple-story warehouses as opposed to single-story buildings. Those factors I believe are very important to us, and any working data which could be furnished us would be helpful.

COST OF MAKING PAINT IN NAVY PLANT

Mr. BONNER. Do you conduct a paint industry here?

Lieutenant ANDERSON. Yes, sir.

Mr. BONNER. Have you made any studies on the cost of producing paint?

Lieutenant ANDERSON. Yes, sir; we did last year.

Mr. BONNER. What date was that?

Lieutenant ANDERSON. I believe the report was rendered in October 1951.

Mr. BONNER. So, you have made other cost studies?

Lieutenant ANDERSON. When I stated this was the first cost study, I was talking about the coffee-roasting plant, but we have made prior reports, including this paint factory study.

NAVY PAINT VERSUS COMMERCIAL PAINT COSTS

Mr. BONNER. Do you happen to know at this time what the difference is in the cost of paint you produce here and commercial paint?

Lieutenant ANDERSEN. We do not make that comparison. In other words, we supply what we think is the cost to the Navy and it is up to the chief of the bureau to make a comparison with commercial companies.

Mr. BONNER. Would you furnish us with a copy of your last study here?

Lieutenant ANDERSEN. It would be up to Admiral Royar.

Rear Admiral ROYAR. We will get you a copy.

(For reports on paint studies, see Oakland Exhibits 1, 2A, and 2B, pp. 322–377.)

SOLUBLE COFFEE

Mr. CURTIS. This coffee plant does not make any soluble coffee, does it?

Rear Admiral ROYAR. No, sir.

Mr. CURTIS. None of the Navy plants nor military plants have gone into that?

Rear Admiral ROYAR. Just three types: The whole bean—or two types, the whole bean and ground bean. We have three types of packing, the bag ground, the bag whole, and vacuum ground.

Mr. CURTIS. There are no plans to go into the soluble coffee field?

Rear Admiral ROYAR. No, sir.

Mr. CURTIS. You do procure a great deal of soluble coffee, do you not?

Rear Admiral ROYAR. Primarily for the commissary stores for resale.

Mr. CURTIS. I imagine they do require a great deal for troops out on the front lines.

Rear Admiral ROYAR. There may be some in an emergency.

Mr. CURTIS. That is what it is.

Rear Admiral ROYAR. That is right.

Mr. CURTIS. It is combat equipment.

ADEQUACY OF FEDERAL "SPECS"

Mr. WARD. Are the Federal "specs" now in use for whole beans, whole green beans, and for roasting coffee adequate in your opinion, or are they out of date?

Mr. NEILSEN. I did not quite understand the question.

Mr. WARD. Do you think that the Federal specifications that are used for the procurement of coffee are out of date, or could they be improved?

Mr. NEILSEN. No.

Mr. WARD. It is O. K.

Mr. NEILSEN. It is very good. I do not think that there should be any change made. Of course, nothing is perfect.

Mr. WARD. The reason I mentioned that, Mr. Chairman, Dr. Lepper (Food and Drug Administration), told me that he thought the Federal spec should be overhauled and improved. He considers it out of date. He is quite an authority in this field. (See copy of "Spec," p. 522.)

We notice from the reports that came in there seems to be a difference in the method of disposal of the sacks. The Marines indicate they use all of their sacks and do not have to buy additional ones and I think the Army sells theirs for 6 or 7 cents apiece, and the Navy indicated they sell theirs for 31 cents; can you explain that discrepancy?

Captain MCKENZIE. I can explain the picture as we see it here. As an element of background, there are items in the Navy standard stock catalog of burlap bags which are carried in stock for various and sundry purposes, and opposite each one of those stock numbers there is a footnote indicating that empty green bags—coffee sacks—might be available at either Oakland or Brooklyn and to contact those two plants before, or incident to making up your mind as to whether you want to get the new burlap bags out of stock.

So, we do get contracts for the use of the coffee bags. In the past we have disposed of practically our entire supply, as we generated them from month to month to the Island Trading Corp. at a price of 5 cents each. Recently we discovered that the commercial market value of those bags locally is now 13 cents each for the Brazilian bag, which is a very tough sisal bag, and 9 cents each for the burlap bag which we get from Colombia. We are now issuing those at the going market price to the Island Trading Corp. We also have a requisition from New York as to some naval activity up in Seattle that wants 25,000 and they said they would be willing to pay up to 21 cents. So, we now have in being areas to dispose of all those bags and to secure a return on them, approximately the same as what we would get if we disposed of them just by selling to the commercial concerns that deal in such things.

Mr. WARD. Do you know whether or not the Marines actually repack their roasted coffee in those bags and send it out to their posts?

Captain MCKENZIE. That I do not know. I rather doubt it, wouldn't you?

Mr. WARD. That was the testimony that was given.

Captain MCKENZIE. We ship coffee to the Marines down at San Diego in 50-pound bags.

Mr. WARD. They would certainly need some kind of liner in there.

Rear Admiral ROYAR. Not in the green-coffee bag.

Mr. NEILSEN. No, not with the waterproof bag; I could not say as to the other bags.

COST OF BAGGING COFFEE

Mr. WARD. Another interesting point, the testimony before the Appropriations Committee of the House [2] indicated that the commercial price was about 2 cents a pound different if bought in 100-pound bags versus 50-pound bags. Do you know whether that is somewhere near correct or not?

Mr. NEILSEN. I could not say that because we have never packed in 100-pound bags and I do not know what a procurement price would be on that.

Mr. WARD. It looks like a very high price for bagging; 2 cents a pound difference; it doesn't seem correct. In fact, we asked the National Coffee Association and they indicated that they thought it would be about one-fourth cent a pound, but if there is a 2-cent differential, then, undoubtedly, more shipments should be made to the larger installations in the 100-pound bag.

Mr. NEILSEN. Yes, sir.

QUALITY CONTROL

Mr. WARD. I believe, Mr. Chairman, it would be fair to raise the subject of quality of coffee and to put in the record two letters, one we wrote to the National Coffee Association and their reply, because they indicate that the matter of quality control is the most important point. Further, that in their opinion, the best way to get quality control is for the armed services to buy the green bean, roast it and distribute it.

Mr. WARD. Admiral Royar, you indicated that you thought it was possible to work out a scheme whereby you could be sure of your quality control. Would you like to supply that for the record, because that seems to be the nub of this thing.

Rear Admiral ROYAR. I said it could be done. Anything can be done, but it would be far more costly, I think, and not as satisfactory.

Mr. WARD. Will you indicate how it could be done, because the Veterans' Administration is buying beans, as you know, and having the coffee roasted and there is some question as to whether they are getting exactly what they are paying for or not. General Services Administration is also buying—they buy about 1 million pounds a year, and there is also a real question whether they are getting what they are paying for.

[2] Department of the Army, Appropriations, 1953, p. 329. See also Munitions Board Study, appendix 2, p. 9 and Federal Supply Management (Military and related activities), p. 131.

(The information requested follows:)

Item.—Assuming that all Navy coffee is to be procured from commercial sources, furnish a Bureau of Supplies and Accounts plan for inspection and other measures which would be used for quality control.

Comment.—Since the Department of the Army has the single service purchase assignment for subsistence items, the assumption above implies that Navy requirements of roasted coffee will be purchased by the Army. Under the provisions of this purchase assignment, the Department of the Army is responsible for arranging inspection.

Inspection to ascertain compliance with specifications is in effect the method for insuring quality control; however, quality control as used herein relates to the sum of the following and is extended to include measures for preservation of flavor and aroma qualities of freshly roasted coffee, whether this be accomplished by relatively quick use of bagged coffee after roasting or use of the more costly vacuum packing to seal the volatile gases so essential for brewing coffee with good cup quality.

(*a*) Development of specifications to cover green bean coffee grades, blending percentages, roasting, grinding, and packaging of the roasted coffees.

(*b*) Qualified inspections by Government inspectors or inspections under the supervision of an inspector representing the Government to ascertain compliance with the specifications developed in (*a*).

(*c*) Establishment of criteria for inventory control, distributive system, and stock levels within the Navy supply system.

Treating each of the above separately the following obtains:

Specifications.—Green bean coffee used for blending and roasting must conform with the present types and grades being procured for Army-Navy use. Specifications for blending various green bean coffees, roasting procedures (temperature, time, etc.), size of grinds, packing, packaging, and marking requirements would also be identical to the current methods and procedures in effect at Navy coffee-roasting plants.

Inspection.—Specifications are necessary to establish definite standards to serve as guidelines for industrial efforts. Specifications in themselves, however, are without value as quality control devices unless contractor performance is measured by competent inspectors against these prescribed standards.

To obtain a satisfactory, uniform, single standard of roasted coffee for the Navy, it would be imperative that the Government employ the services of resident area inspectors who would perform continuous inspection service of commercial roasting plants awarded Government contracts. These inspectors should necessarily be established official United States graders and classifiers, well qualified in all phases of coffee-roasting plant operations, including general knowledge of the coffee industry developed through actual experience in this field. The number of inspectors required would fluctuate with the number of contractors holding contracts with the Government. Considerable efforts and moneys would be necessary for administration and supervision of these Government inspectors, since there are approximately 375 principal commercial roasting plants in the United States that would be qualified to bid for Government contracts.

Inspection would begin with grading of the green beans to determine exact grade and other characteristics such as size of bean, color, and solidity of specific chops or lots. Samples would be roasted in sample roasters to inspect the beans for roasting quality, later ground and tested for cup quality. Green coffee beans not conforming fully with contract specifications would, of course, be rejected prior to roasting. Inspection certificates containing information as to chops inspected, grade, characteristics, chops used in roasting, etc., would be required to accompany dealers' invoices submitted for payment.

Continuing, blending, roasting, grinding, packing, and packaging operations would be under continuous surveillance by the Government inspector.

Inventory control, distributive system, and stock levels.—Viewing the plan to insure quality control from a standpoint of inventory control and distributive system, it would appear desirable to classify roasted, bagged coffee as another perishable item which source of procurement would normally be through the Navy market office system. Inventory control of roasted, bagged coffee would be maintained on a local activity level. Determination of requirements would be made by the requiring activity on the basis of authorized stock levels established by the Bureau of Supplies and Accounts. Requisition procedures would be identical to that normally employed for procurement of perishable items; i e.—

(*a*) Stocking points would submit space requisitions for period deliveries to the nearest Navy market office for consolidation and further submission to the Army market centers for purchase action.

(*b*) Navy activities satellited on stocking points would obtain roasted, bagged coffee by requisition as they would any other perishable item.

(*c*) Navy activities normally serviced by the Army market center would submit requisitions direct to the market center.

Because of the limited keeping qualities of roasted, bagged coffee, a contract requirement would be necessary to assure delivery to Navy installations no later than 3 days from the roasting date. Activities not qualifying for deliveries within this period due to geographical location would be required to use the more costly vacuum-packed coffee. All bagged coffee would be required to be date marked with the date that the coffee is actually roasted and bagged.

Vacuum packed coffee would be classified as a nonperishable provision item, volume requirements of which would warrant central inventory control by the Bureau of Supplies and Accounts.

Determination of replenishment requirements at various designated stocking activities would be made by the Bureau on the basis of monthly stock status reports submitted by these activities. Military interdepartmental procurement requests would be submitted monthly by the Bureau to the Office of the Quartermaster General, Department of the Army, for purchase action. Contracts would be awarded by the Army and assigned to the Navy for administering and allocation. Consuming activities desiring vacuum-packed coffee would submit requests to the activities rendering supply support for nonperishable provisions. Inspection at stocking points would be for condition and count only.

Stock levels.—Stock levels contribute measurably to the quantity of roasted, bagged coffee furnished the consumer. Lower levels of supply create greater turn-over rates, thus insuring freshness of coffee delivered to the user, the optimum condition (without considering high transportation costs) being that of having in stock only sufficient quantities on hand each day to meet requirements for that particular day. However, to provide for unexpected interruption in supply, safety levels must be established to thwart any shortage. The desirable stock level for consuming and stocking activities for roasted, bagged coffee is established at 8 days for roasted, ground, and 15 days for roasted, whole bean. These stock levels would, however, be augmented by reserves of vacuum packed coffee which would be turned over only to prevent deterioration through extended storage periods.

In establishing stock levels of vacuum-packed coffee, consideration would have to be given to provide an additional safety level of supply for the following reasons:

(*a*) The coffee-roasting industry maintains an inventory level of green bean coffee approximating a 2 months' supply. This low inventory level could seriously impair military supply in the event of shipping strikes or offshore supply interruptions. To assure continued supply of roasted coffee, it would be necessary to either stockpile green beans or create a reserve of roasted, vacuum-packed coffee.

(*b*) In all probability the coffee-roasting industry would not universally carry inventories of packaging materials required for packing Navy requirements, since these materials are peculiar to Navy use. Procurement lead time would thereby be extended due to the lag after contract is awarded for roasting to allow for delivery of packaging materials to the roasting plants or require the Navy to stockpile these materials for reserve use.

The services of the Inspector General of the Supply Corps would be requested to investigate and report noncompliance with the stock levels for roasted, bagged coffee established above.

I would like, Mr. Bonner, if you do not mind, to have these two letters and the committee print.

Mr. BONNER. Those matters have been noted for inclusion in the record. (See p. 509.)

INDUSTRY INSPECTION OF COFFEE

Mr. WARD. With respect to inspection, do you feel that the present method whereby the industry in effect does its own inspection is a good scheme for the Government?

Captain McKENZIE. Personally, I think that it is working out. The National Coffee Association is grading the green bean that comes in and so far as I know we have always gotten good beans.

Rear Admiral ROYAR. May I respond on that a little? I think it is an excellent idea. The coffee association, as you know, is made up of coffee merchants and they are very rigid in their inspection and inspecting the green coffee for the warehouses, they are very careful not to have any man to do the inspecting whose company is involved in that particular purchase and in that way, we feel we get a very fair inspection and the green coffee received bears that out.

Mr. WARD. Is it possible that there is a little "back-scratching" in that kind of a deal?

Rear Admiral ROYAR. I do not think so.

Mr. WARD. Isn't it, in principle, wrong to have someone working on both sides of the contract? That seems to be fundamental in contracts.

Rear Admiral ROYAR. The only expert coffee people you have are right in the industry. There are practically none that you get out of the industry.

Mr. CURTIS. How many sellers are there of coffee actually bringing it in? Is it a large number, because they are the ones we are talking about?

Rear Admiral ROYAR. I think industry could probably answer you better than I could. The coffee exchange is composed of quite a number of importers.

Mr. WARD. Don't we pay about $112,000 a year for that inspection? On how many consignments would that be on, admiral?

Rear Admiral ROYAR. Again, the Market Service has that, and how many consignments, they have, I do not know.

Mr. WARD. Have you ever checked to see just what we are paying per consignment and all factors included in the price? It looks like a high price?

Rear Admiral ROYAR. Not on a particular consignment. Have you any figures [indicating Captain McKenzie]?

Captain McKENZIE. No, sir.

Mr. WARD. I wonder if you would get those for the record?

(The material referred to follows:)

Item.—For any given time supply the price paid for a consignment of green coffee and indicate all factors included in this price.

Comment.—In developing this information, a typical contract is used as a consignment rather than taking different contracts over a period of time. This contract involves 442,000 pounds of green bean Santos delivered f. o. b. NSF, Brooklyn, at $0.5342 per pound for a total of $236,116.40.

The contractor volunteered the following information as to what factors he included in arriving at his bid price:

(*a*) Inventory and price of green bean coffee carried in the firm's warehouses.

(*b*) Amount and price of green bean coffee for which the contractor has actual options.

(*c*) Estimate of future market prices of green bean coffee.

(*d*) Profit margin of approximately 1 percent.

In addition to the basic principles outlined above, the following cost factors are also considered:

(*a*) Freight from Brazil to New York.

(*b*) Insurance charges.

(*c*) Loss of weight.

(*d*) Letter of credit.

(*e*) Grading and handling charges.

(*f*) Trucking charges dockside United States of America, New York to NSF, Brooklyn.

Mr. ROBACK. I want to clarify, if I can, the concept that the Navy is using in this cost study. It appears from the questions Mr. Curtis asked and some of the statements in the record that in some cases in the analysis real costs are excluded and in other cases imaginary costs are included. The question I have is what have you established when you arrive at that cost figure per pound of coffee?

Rear Admiral ROYAR. We here?

Mr. ROBACK. You have a certain cost figure on a pound of coffee—what do you establish by that figure?

Rear Admiral ROYAR. Will you take that, Captain McKenzie?

Captain MCKENZIE. I will make a preliminary statement and then Lieutenant Andersen can go into further detail.

The concept was to arrive at, after many figures, of the cost per pound of producing coffee.

Mr. ROBACK. To whom?

Captain MCKENZIE. To one appropriation.

Rear Admiral ROYAR. To the taxpayer.

Captain MCKENZIE. And to have the other figure, which will include what we call "constructive costs," which are the type costs elements that a commercial concern has to use, yet which in the Government-run plant are not actual charges to the taxpayer out of the operation.

Mr. ROBACK. What, then, do you establish when you have arrived at a so-called constructive cost? What flows from the establishment of that figure—what conclusion flows from it?

Lieutenant ANDERSEN. The reason those constructive cost figures are put in there is to compare our operation here with a comparable commercial company. In other words, we included the cost of property taxes, city and county of Alameda, and the city of Oakland. A commercial company bears that tax, whereas the Government does not. We put those in and included an estimated statement of California franchise tax for a corporation. We do not know exactly what it is—I mean we try to impute a fair figure. These figures which we came up with are not comparable to the costs used in establishing the price to the Army or Navy for issues of coffee. In other words, it is a separate study entirely. As was brought out in the establishment of the issue price to Army and Navy commissary stores, et cetera, just the direct costs are used, or out-of-pocket costs are used. For instance, labor and supervision, vacation, holidays, cost of utilities, cost of green coffee, bags, tins, et cetera.

Mr. ROBACK. I thought the purpose was to establish all cost factors to see what would be the cost over-all, not only the direct cost, but all degrees and allocation of costs for overhead and all the various factors that are involved. This study is not that kind of a study. This conclusion has no connection with that. I just want the record to be clear.

OVERHEAD IN OPERATING COFFEE PLANTS

Mr. CURTIS. I am glad Mr. Roback made that comment.

I have one other comment that disturbed me. It was included in your January 1, 1951, to April 30, 1951, review of the multitudinous operations of the Naval Supply Center, Oakland, Calif., and that is this statement: "It is questionable whether any reduction in general overhead would inure to the Government should the Government pro-

cure its requirements of roast coffee from commercial sources," and in the report of the hearing in New York they say "Likewise, consideration was not given to any general costs incurred by other naval activities, which indirectly might benefit, et cetera." I would hate to think you could eliminate an operation such as this that we have seen here today, with how many employees?

Lieutenant ANDERSEN. Twenty-four.

Mr. CURTIS. Without at the same time having a real figure of reduction in overhead—general overhead—because it just stands to reason that you would.

I agree that this is a large operation, but nonetheless, in the terms of a layman, a savings of a few thousand dollars is bound to come about. It might not be in millions, but if we can duplicate this coffee roasting study in other studies and it is only a few thousand dollars that we save in each one and you multiply that by the number of operations going on, and you will have a considerable savings.

I just hate to see a statement in here that is questionable, whether any reduction in general overhead would come to the Government, because as a matter of common sense, there is bound to be a savings in an operation like that in overhead, and it is bound to be in the thousands of dollars. I make that statement for comment, if anyone would care to discuss it.

CAN'T MEASURE OVERHEAD

Lieutenant ANDERSEN. I would like to make this comment. I do not believe, considering the Government set-up, that you can actually measure the overhead applicable. For instance, how much of your salaries would be charged to the coffee roasting plant, and so forth?

Mr. CURTIS. Yes, but that is the very thing that we are attempting to pin point. That is the very thing that is going to cut down this tremendous overhead that we have in Washington that is bleeding the taxpayers to death. We have got to get into those things, but I tell you if the Navy went out of the coffee roasting business and a thousand other of these commercial enterprises, your overhead—a good bit of it—would disappear.

Lieutenant ANDERSEN. We came out and admitted in our report that we could not make an actual allocation. We are not trying to duck an issue.

Mr. CURTIS. What I am objecting to is that there would be no savings. The statement is made here that it would be questioned whether any reduction in general overhead would inure to the Government.

Rear Admiral ROYAR. You have got to figure, even if you transferred this to civilian industry, there would still be an overhead here, inspection service, for instance.

Mr. CURTIS. You would have some overhead. It reminds me when we were going through an overhaul and repair shop at Atlanta, Ga., of the Army, the colonel was very proud of his cost accounting, which included only the civilian labor and spare parts. I asked him was his salary and the salary of the other military personnel included in his cost accounting, and he said "No, the Army would have to pay me anyway." That is the sort of thing that bothers me.

COMMANDING OFFICER SPENDS SMALL AMOUNT OF TIME IN PLANT OPERATIONS

Rear Admiral Hipp, how much of your time is spent on coffee roasting? One percent probably.

Rear Admiral HIPP. That would be awfully difficult to state. For instance, my job is one of coordinating the activities of the various depots. I seldom, unless something develops by way of a difficulty or trouble, get into the details of the operation of the various depots.

Mr. BONNER. But you have to have men on your staff that you assign to these various things which augment your staff.

Rear Admiral HIPP. Yes, sir.

COFFEE INSPECTION—8 CENTS PER BAG

Mr. KENNEDY. In this study of the Munitions Board, May 15, 1952, they figured the cost of inspection at approximately $100,000, set, I believe, some years ago. Now, that would be based on an 8-cent charge per bag. Do you feel, Admiral Royar, that there would be a possibility that your examination would be a fertile field for renegotiation?

Rear Admiral ROYAR. Do you mean with regard to inspection of green coffee? I definitely think that it would be well to look into it; yes. I think that the 8 cents a bag, though, is about the commercial rate. It is the going rate for inspection costs at the present time.

Mr. KENNEDY. Has that bag rate been constant over a period of time?

Rear Admiral ROYAR. So far as I know it has, Mr. Kennedy. Of course, again, this is a function that comes under the Market Service which is administered by the Quartermaster Corps. We have not really gotten into that end of it. The Quartermaster Service handles the procurement and inspection.

Mr. KENNEDY. Then statistically, a charge of that nature would materially affect your cost studies?

Rear Admiral ROYAR. Oh, yes.

MARINE CORPS COFFEE PLANT, PHILADELPHIA

Mr. KENNEDY. Do you feel that the Marine Corps should have an independent coffee-roasting installation, for instance, at Philadelphia, or do you feel that the Navy has sufficient capacity, or that possibly the marines could draw on adjoining Army installations?

Rear Admiral ROYAR. Well, at the present time, of course, the capacity at Brooklyn for the Navy and Philadelphia for the Marine Corps have been used by the two services. I am not familiar with the distribution of the Marine Corps—just where they distribute from their coffee-roasting plant. I do agree in your general concept and the study that the Munitions Board is making that we should go into cross-servicing very thoroughly of all the services with the idea of not having duplicating plants in the same area.

CROSS-SERVICING AGREEMENT FOR SAN FRANCISCO AREA

Mr. KENNEDY. I note in one section of this study they claim that there doesn't appear to be at the present time a cross-servicing agreement for this particular area at San Francisco.[6]

[6] See agreement, p. 443.

Rear Admiral ROYAR. In the San Francisco area there is cross-servicing, because we are issuing to the Army and Air Force and Marine Corps in this area.

Mr. KENNEDY. With regard to packaging, has the Navy taken any definite steps toward development of uniform standards for containers to be used in packaging of coffee?

Rear Admiral ROYAR. We have used the 5-gallon tins for the vacuum pack, which is a standard container, and the bags for the bag coffee, I think both of those are pretty well standardized and used by all the services.

STANDARD FOR PACKAGING

Mr. KENNEDY. The study indicated a difference in the price of bags and containers used to package coffee.

Rear Admiral ROYAR. I am not familiar with the study. I have not had a chance to look that over.

Mr. KENNEDY. One of the conclusions was that the military departments would do well to develop a uniform standard.

Rear Admiral ROYAR. There is no reason why they cannot at all, because your shipments are all about the same, the handling is the same and there is no reason why they could not have a standardized bag. The packaging is very simple, as you saw down at the plant. There is nothing complicated about it at all.

OAKLAND PLANT COULD PROBABLY SUPPORT SEATTLE AREA

Mr. KENNEDY. Do you think the capacity here is capable of supporting coffee operations in Seattle, for instance, on a cross-servicing basis?

Rear Admiral ROYAR. We probably could.

Mr. KENNEDY. Also with regard to overseas?

Rear Admiral ROYAR. But another thing about the coffee, too, is the fact it would probably be better to have that plant up there and cut this down a little bit so you would not have coffee in transit as long. Coffee deteriorates very quickly and the closer you can get your coffee to the processing and roasting plant, the better coffee you get. Of course, the Army plant at Seattle supports Alaska and they are several days closer to Alaska up there than we are here.

Mr. KENNEDY. With regard to cross-servicing we mentioned a moment ago, the study has a paragraph in here in which they say under a cross-servicing agreement in the Great Lakes area, the Army furnished an average of 60,000 pounds, or 25 percent of the monthly production to Navy installations in the fourth, ninth, and tenth naval districts. However, it is significant to note that a cross-servicing agreement between Army and Navy utilizing Army plants in Seattle and Atlanta has not been established at the present time. (Oakland exhibit 4 includes cross-servicing agreement executed September 18, 1952.)

Rear Admiral ROYAR. I see no reason why they should not be established. I think they should, because we know here it is working out perfectly in the Oakland area. We have no trouble at all. The Army furnishes the green coffee and we roast and distribute it.

Mr. KENNEDY. Are there any plans in the Navy at the present time with regard to establishing overseas coffee-roasting plants?

Rear Admiral ROYAR. We have no plans for that at all.

Mr. KENNEDY. You mentioned the shipment of this material overseas; is there any planning at the present time to have drawings from these Army coffee-roasting plants overseas for adjacent naval installations or ships?

Rear Admiral ROYAR. There is. How far it has gone, I do not know, but there is some discussion, or was, between our provisions group in the Bureau and the Quartermaster Corps about the Army taking over more of the Navy supply in the Seattle area and some of the export work in that area. That is a matter now under discussion to find out the capacity and what the capabilities are. I think you will probably see that come about very shortly. I am in hopes it will, because it should be done.

USE OF SOLUBLE COFFEE

Mr. KENNEDY. Mr. Curtis mentioned soluble coffee, which we realize, of course, as in the experimental stage in the coffee industry——

Rear Admiral ROYAR [interposing]. That's right.

Mr. KENNEDY. In view of the fact that you are in the business, have you made any studies with regard to the substitution on an experimental basis, since you are such a large consumer?

Rear Admiral ROYAR. As I said before, we have no plans of developing any of the soluble coffee in our present plant. There are certain fields where it will go pretty well. I imagine, for instance, in the submarine fleet, for example, where space is vital it might be considered. I know that our research and development people in Bayonne have been looking into the matter, but, so far, we have no definite plans yet. There is no consideration being given to going into it in any large way at all.

Mr. KENNEDY. Is the cost one of the factors that has discouraged your interest?

Rear Admiral ROYAR. That is one thing, and the quality too. There are several factors in there that we are trying to look into. Whether it will develop or not, I am not prepared to say at this time.

Mr. CURTIS. If you pursue that any further, as I understand it, under the new directive, that has to be cleared by the Secretary of Defense?

Rear Admiral ROYAR. Secretary of Defense; yes, sir.

Mr. CURTIS. And anything going into that would have to be?

Rear Admiral ROYAR. Yes, sir.

Mr. BONNER. Admiral Hipp, I want to thank you in behalf of the subcommittee for your kindness and courtesies extended to us and you also, Admiral Royar, and the gentlemen of your staff who have been with us here on the base.

Of course, we come out to get information; we come in a friendly spirit and we come representing the people and also representing you back in Washington.

This subcommittee does not come to any conclusions here in the field. We go back and these hearings are prepared and written up and the subcommittee, as well as the staff, studies and analyzes what we find in the hearings and then comes out with our report. I do not want you to think that we come to any conclusions here imme-

diately about any of the subjects which we go into. This is such a vast field, that we cannot go into everything. We have to pick out a few things and make a test of them—a "guinea pig" test you might say.

We appreciate very much your presentations and your courtesies and the subcommittee is adjourned.

The subcommittee adjourned at 12 noon.

(Oakland Exhibits 1–5 follow:)

Oakland Exhibit 1 [7]

REPORT ON COST STUDY OF PAINT MANUFACTURING, NORFOLK NAVAL SHIPYARD, PORTSMOUTH, VA.

The report on the cost study of paint manufacturing at the Norfolk Naval Shipyard, Portsmouth, Va., based on operations during the fiscal year ended June 30, 1951, was made by the Navy Cost Inspection Service to serve as a basis of study and comparison with commercial paint manufacturing. This study, together with a similar one made at the Mare Island Naval Shipyard, Vallejo, Calif., is being used by a selected committee of the National Security Industrial Association for the purpose of additional analysis and comparison of the cost of Navy paint manufacture with that of commercial manufacture.

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Computation of general expense allocable to paint factory operations	Exhibit C.
Detailed statement of general expense	Exhibit C, schedule I.
Explanatory comments with respect to footnotes referenced on exhibits and schedules of report	Exhibit D.
Flow chart of paint factory operations	Exhibit E.

COMMENTS

Authority for study and purpose thereof

1. In compliance with the request of the Chief of the Bureau of Supplies and Accounts as contained in letter to the Director, Cost Inspection Service, dated June 21, 1951, file OX over L10–3/NY9, L10–3/NY6, JJ32, a cost study has been performed of the operations of the paint factory, Norfolk Naval Shipyard, Portsmouth, Va., for the purpose of determining the actual unit cost of producing each of the various kinds of paint manufactured, packaged ready for shipment. Pursuant therewith, constructive costs have been included for those cost elements not usually applied in Navy productive operations but which are inescapable to a commercial enterprise.

Historical data

2. According to Mr. W. J. Francis, paint technologist of the Norfolk Naval Shipyard, preliminary steps were undertaken by the Bureau of Construction and Repair in 1902 for the development of ship-bottom paints by the shipyard. Prior thereto, it is stated that an unsatisfactory condition prevailed in that, among other things, the various brands available from commercial sources were not compatible, with the result that each manufacturer's particular brand of paint had to be used on the vessel which had been previously painted therewith. The Supply Department, therefore, was required to maintain numerous stocks of ship-bottom paints of many manufacturers.

3. By 1906 the shipyard had commenced its manufacturing of ship-bottom paints. Its equipment at this time consisted of two shellac cutters, a small belt-driven mixer, and several small mixing tanks together with some wooden

[7] Navy making comprehensive cost study of its paint manufacturing. (See testimony of Vice Adm. C. W. Fox, before subcommittee, December 4, 1952.)

half barrels and paddles for hand mixing. Under a master painter there were three or four helpers engaged in making paint which was for local use only.

4. During the early days each navy yard made its own paints except for ship-bottom paints. Paste pigments in oil, such as white lead and zinc oxide, were purchased, since the process of grinding pigments in oil was considered too complicated an undertaking, and the yards mixed their own paints, adding coloring pigment, thinners, and driers. Finally, when commercial paint concerns were unable to supply sufficient quantities of pigment-in-oil pastes, the shipyard in 1916 installed two iron grinding mills and proceeded thereafter to grind its own paste pigments.

5. In 1924 the paint factory at the Norfolk Naval Shipyard started manufacturing varnish, using formulas and processes developed by the yard's paint laboratory. Other products, such as camouflage paints for ships and submarines, were gradually added to the list of manufactured items. In 1925 the equipment in use at the Philadelphia Navy Yard was transferred to Norfolk Naval Shipyard, and the present site of its paint factory (building 62) was occupied. By 1935 the shipyard was manufacturing paints and varnishes for all the naval shipyards and stations located on the east coast.

6. The paint factory has experienced tremendous growth since its modest beginning. The diversity of its products is evidenced by the listing of 87 standard paint and varnish compositions in the 1939 edition of Appendix 6, Instructions for Painting and Cementing Vessels of the United States Navy. The factory's equipment now includes five-roll and three-roll roller mills, pebble mills, steel ball mills, and high-speed stone mills for grinding paint, power mixers, and automatic filling machines.

7. Housed in a three-story building, the paint-manufacturing process begins on the top floor where the pigments and vehicles are mixed into paste which flows by gravity to the grinding mills located on the second floor. The manufacturing process is completed on the first floor in blending tanks, with the addition of driers and solvents and perfection of shading and viscosity. Exhibit E hereof depicts in graphic form the various steps in the paint-manufacturing cycle.

Scope of review

8. The paint factory's operations for the fiscal year ended June 30, 1951, considered reasonably representative of prevailing operating trends and conditions, were selected for the purpose of developing the unit cost data reported on herein. The basic cost data upon which the results of the subject study are predicated was accumulated from the following monthly reports compiled by the shipyard for submittal to the Chief, Bureau of Supplies and Accounts; viz. S. and A. Form 285a, Paint Manufacturing Shop Cost Summary; S. and A. Form 285b, Paint Manufacturing Plant Output Cost Summary; S. and A. Form 419, Summary of Overhead Expense; S. and A. Form 299, Detailed Statement of Shop Expense; and S. and A. Form 299 B–03, Power Plant Operation Costs, Transfers, and Distribution of Customers. While the information and data depicted thereon was not subjected to detailed audit and verification except with respect to direct material costs, sufficient tests were performed with respect thereto to substantiate the applicability of the costs chargeable direcly or indirectly to paint-factory operations. Direct material costs were analyzed in considerable detail in order to establish the propriety thereof and to permit the determination of freight charges as well as purchase discounts where applicable.

Findings

9. As evidenced on exhibit A hereof, the naval paint factory manufactured 2,325,041 gallons of paints and varnishes comprised of 90 various mixtures of formulas during its operations in the fiscal year ended 30 June 1951. In addition thereto, 3,326,204 pounds of vehicles and oils, consisting of eight individual types, and 228,830 pounds of putty of four varieties were produced. The total output of 6,037,734 units also included the canning of 91,814 pounds of vehicles and oils (raw-material stores) and the reworking of 65,845 gallons of paints.

10. The summary of paint factory's output contained on the afore-mentioned exhibit A further indicates that the total cost of production for the subject period aggregated $4,948,669.12, inclusive of constructive costs, the application of which is more fully discussed in paragraphs 15 and 16 below.

11. In accordance with paragraph 66258, subparagraph 3h (1), of the Bureau of Supplies and Accounts Manual, units of output for the purposes of this report have been grouped in the respective classes which were established thereunder for the specific purpose of providing a medium for the distribution of direct labor and indirect factory expense through the application thereto of prescribed

production and canning factors. Pursuant therefore to subparagraph 3h (2) of the manual, which denotes the particular production and canning factors to be utilized, direct labor and indirect factory expense have been distributed to the various units of output exclusive of reworked units for which production factors are not available, in which case the processing costs applicable thereto were determined on the basis of estimates obtained from the shipyard's fiscal office. It will be noted, however, that the amount of paint reworked during the period under review constituted a rather minimal part of paint factory operations.

12. Schedule I of exhibit A represents a detailed analysis of the paint factory's costs of production for the fiscal year ended 30 June 1951. The adjustments reflected thereon are considered to be adequately explained in the footnotes appended thereto and in the related exhibits and schedules furnished herewith in support thereof. The ensuing commentary is therefore intended to high-light only those matters which are considered sufficiently significant to warrant emphasis or additional explanation and clarification.

13. As indicated on exhibit A and schedule I hereof, material is the preponderant element of cost in the manufacturing of paint and its related products. As a result, considerable effort was expended in reconciling the cost of raw materials requisitioned for, and consumed in, the manufacture of the output yielded during the period under review, and in determining to the extent deemed feasible and practicable the delivered unit cost of raw material. The weighted average unit cost developed herein was based on purchased prices substantiated by the individual procurement contracts concerned, with appropriate adjustment to give effect to freight charges where applicable and to purchase discounts when available. It was thus determined, as noted on schedule I hereof, that material costs were understated in the amount of $253,838.67, representing a 6.3 percent variance between the delivered unit cost of raw material and the standard unit cost charged to paint manufacturing. The direct material cost as adjusted represents 85.81 percent of total cost of production for the fiscal year ended 30 June 1951.

14. In compliance with the instructions of the Bureau of Supplies and Accounts as cited in paragraph 66258, subparagraph 3f, of the manual, no general expense was distributed by the shipyard to paint factory operations. For the purpose of this report, however, and in conformance with commercial cost-accounting procedures and practices, that portion of the shipyard's general expense applicable to its industrial activities was utilized for the purpose of determining a proper and allocable amount of such expense for apportionment to paint factory costs. Exhibit C, schedule I hereof, presents a detailed analysis of the general expense of the shipyard and the portion of each individual account thereof which has been allocated to industrial functions, based on studies periodically performed by a committee established for such purposes, subject to the approval of the commander of the naval shipyard. Exhibit C depicts the adjustments to industrial general expense made by the cost inspector prior to the distribution of an allocable portion thereof to paint factory costs. Attention is invited to the fact that processing cost (direct labor and indirect factory expense), rather than manufacturing cost, was used as the basis for apportioning general expense to paint factory operations, in view of the disproportionate amount of raw material consumed therein.

15. Constructive costs consisting of significant cost elements not incurred directly by a Government-operated facility but which are inescapable to a commercial enterprise are reflected on exhibit A, schedule I, and supporting exhibits B and C and are further explained on exhibit D hereof. With respect thereto, it is to be noted that the provision for the Government's ultimate contribution to the pension fund was computed on the basis of 6½ percent of total straight-time pay, although many of the shipyard's employees were ineligible therefor by reason of temporary indefinite employment status. It is nevertheless believed that the potential overstatement of such costs is substantially offset by the elimination of Federal old-age benefits tax from general expense, together with the fact that retirement allowances were not determined for the military personnel whose compensation, where applicable, was added to general expense.

16. Provision for insurance on buildings and contents (see notes 4 and 11 of exhibit D) was computed at rates which are considered above average from a commercial standpoint but which have been represented as being proper and not unreasonable for application to a shipyard housing the various activities incident to a military establishment, as well as paint-manufacturing operations.

17. No adjustment was required with respect to annual and sick leave allowances since an entire fiscal year was utilized for purposes of this report.

18. During the course of the review a representative commercial price list comprised of 18 of the formulas manufactured at the Norfolk Naval Shipyard was obtained for comparative purposes. No attempt was made to determine the authenticity thereof, and the variances in unit prices reflected thereon were not subjected to analysis. Accordingly, the comparative list is presented herewith for informational purposes only, together with the corresponding unit prices derived as a result of this review.

Schedule of comparative prices

Formula No.	Description	Container	Production, gallons	Current market prices per gallon	Prices per NCI per gallon	Estimated savings
5 L	Light gray	5 gallons	8,920	$2.99	$1.76	$10,991.40
6	Outside white	1 gallon	16,008	2.90	2.12	12,479.92
	do	5 gallons	160	2.85	2.03	81.94
20 A	Gray deck	do	103,355	2.90	1.71	123,312.42
23	Red deck	1 gallon	9,702	3.20	1.94	15,232.62
	do	5 gallons	36,285	3.15	1.85	56,154.60
27	Inside white	1 gallon	8,220	3.61	1.83	17,212.44
	do	5 gallons	233,465	3.56	1.74	483,627.07
30	Enamel white	1 gallon	35,718	2.95	2.10	30,392.45
	do	5 gallons	44,930	2.90	2.01	40,018.33
31	Inside green	1 gallon	198	2.95	2.10	167.69
	Fire retardant	5 gallons	2,040	2.90	2.01	1,808.98
38	Black striping	1 pint	492	2.80	1.68	551.43
	do	1 quart	1,000	2.75	1.58	1,171.70
	do	1 gallon	3,096	2.70	1.65	3,261.02
	do	5 gallons	8,395	2.65	1.56	9,177.63
39	Green striping	1 pint	189	3.20	2.39	153.22
	do	1 quart	1,150	3.15	2.30	978.77
	do	1 gallon	1,224	3.10	2.36	910.11
40	Red striping	1 pint	498	3.20	2.58	310.01
	do	1 quart	335	3.15	2.49	221.90
	do	1 gallon	2,154	3.10	2.55	1,195.28
41	Brown striping	do	96	2.80	1.63	112.44
42	Yellow striping	1 quart	1,000	3.15	2.77	377.40
	do	1 gallon	1,020	3.10	2.84	267.46
80	Spar varnish, water resisting	do	3,270	2.45	1.82	2,061.11
84/47	Zinc chromate primer	5 gallons	93,605	2.40	2.33	6,552.35
	Total		617,465			818,781.69

COMPUTATION OF ESTIMATED SAVINGS

Market price of above production	$1,912,753.25
Paint factory's cost of production of above items as computed by NCI	1,093,971.56
Estimated savings	818,781.69

Conclusion

19. Based on the foregoing comments, it is the opinion of this office that the accompanying exhibits and schedules present fairly the results of the operations of the paint factory, Norfolk Naval Shipyard, Portsmouth, Va., and that the unit costs of production developed herein are representative of actual costs to the fullest extent determinable in accordance with the accounting system and procedures employed in the recordation thereof.

C. J. KINELSKI,
Lieutenant Commander, SC, USNR,
Assistant to Supervisory Cost Inspector, USN, Eastern Area.

12 October 1951.

EXHIBIT A

Computation of unit costs

CLASS A PAINTS

Formula number	Mixture	Packaging	Gallons or pounds manufactured	Total cost	Unit cost
14	Anticorrosive	5-gallon cans	86,915	$145,070.12	$1.6691
		Not canned	19,562	28,840.26	1.4743
14 D	Anticorrosive (dark)	5-gallon cans	40,035	78,968.07	1.9725
	Total, class A		146,512	252,878.45	

CLASS B PAINTS

3	Boot topping black	1-gallon cans	7,788	$15,155.45	$1.9460
		5-gallon cans	29,275	54,339.30	1.8561
5 H	Haze gray	do	360,650	608,699.62	1.6877
5 N	Navy gray [1]	do	1,760	6,356.98	3.6119
5 L	Light gray	do	8,920	15,679.40	1.7578
5 NB	Navy blue	do	9,040	16,347.37	1.8083
5 O	Ocean gray	do	5,020	9,065.84	1.8059
6	White, glossy	1-gallon cans	16,008	33,943.28	2.1204
		5-gallon cans	100	203.06	2.0306
13	Dull black exterior	do	12,525	25,975.39	2.0738
16 X	Copper bottom	1-gallon cans	1,080	4,234.79	3.9211
		5-gallon cans	2,675	10,248.47	3.8312
19	Dark green deck	do	21,040	43,880.72	2.0856
20 A	Gray deck	do	103,355	176,417.08	1.7068
20 B	Dark gray nonskid	do	9,310	15,646.60	1.6806
20 L	Light gray deck interior	1-gallon cans	3,780	6,482.98	1.7150
		5-gallon cans	42,860	69,655.82	1.6251
20 LX	Deck light gray interior	do	1,315	2,285.89	1.7383
23	Red deck	1-gallon cans	9,702	18,838.37	1.9417
		5-gallon cans	36,285	67,195.16	1.8518
24	Black deck	1-gallon cans	2,052	3,525.95	1.7183
		5-gallon cans	3,160	5,145.84	1.6284
27	White inside	1-gallon cans	8,220	15,025.60	1.8278
		5-gallon cans	233,465	405,745.50	1.7379
27 L	Light gray interior	1-gallon cans	1,164	2,624.60	2.2549
		5-gallon cans	7,440	16,108.13	2.1650
28	Acid-resisting black	1-gallon cans	3,990	3,387.57	.8490
31	Inside green fire retardant	do	198	416.41	2.1031
		5-gallon cans	2,040	4,107.02	2.0132
31 5	Inside light green	1-gallon cans	5,501	12,376.15	2.2498
		5-gallon cans	12,190	26,329.00	2.1599
38	Striping black	1-pint cans	492	826.17	1.6792
		1-quart cans	1,000	1,578.30	1.5783
		1-gallon cans	3,096	5,098.18	1.6467
		5-gallon cans	8,395	13,069.12	1.5568
39	Striping green	1-pint cans	189	451.58	2.3893
		1-quart cans	1,150	2,643.73	2.2989
		1-gallon cans	1,224	2,884.29	2.3564
40	Striping red	1-pint cans	498	1,283.59	2.5775
		1-quart cans	335	833.35	2.4876
		1-gallon cans	2,154	5,482.12	2.5450
42	Striping yellow	1-quart cans	1,000	2,772.60	2.7726
		1-gallon cans	1,020	2,894.54	2.8377
43	Striping blue	1-quart cans	1,065	2,283.85	2.1444
31 A	Inside green	5-gallon cans	2,585	5,685.27	2.1992
46	Exterior camouflage gray	do	470	889.71	1.8930
78	Olive green	1-gallon cans	1,000	2,790.40	2.7904
84 47	Zinc chromatic primer	5-gallon cans	93,605	217,791.64	2.3267
101	Black tinting	do	12,400	16,099.47	1.2983
104	Exterior dull black	do	7,340	9,960.16	1.3569
105 45	Antifouling cold plastic red	do	67,560	91,938.86	1.3608
		Not canned	207,781	242,279.73	1.1660
109	Outside gray No. 11	5-gallon cans	7,575	12,853.69	1.6968
111	Enamel exterior equipment light gray.	1-gallon cans	12,648	26,097.85	2.0633
		5-gallon cans	8,305	16,389.09	1.9734
114	Undercoat for wood decks	do	2,860	8,214.01	2.8720
115	Flight deck gray	do	990	2,377.69	2.4017
116	Primer exterior red lead	1-gallon cans	16,128	32,135.04	1.9925
		5-gallon cans	127,775	243,111.49	1.9026
117	Primer metal-conditioning zinc chromate.	do	255	983.28	3.8559
145	Antifouling black	do	58,255	177,380.86	3.0448
146	Cold plastic antifouling black	do	15,900	64,000.90	4.0251

[1] This batch of paint includes 180 gallons of 5 N haze gray which was off color and was added as raw material at standard cost.

Computation of unit costs—Continued

CLASS B PAINTS—Continued

Formula number	Mixture	Packaging	Gallons or pounds manufactured	Total cost	Unit cost
146 50	Cold plastic antifouling black	5-gallon cans	28,890	$39,047.60	$1.3516
		Not canned	105,569	122,120.23	1.1568
15 NRL	Antifouling rubber	1-gallon cans	456	2,179.31	4.7792
207 NC	General purpose white	5-gallon cans	22,640	63,317.60	2.7967
257 N	Light type A enamel gray	1-gallon cans	30,378	65,348.20	2.1511
258 N	Medium type B enamel gray	do	21,366	46,898.92	2.1950
		5-gallon cans	570	1,199.91	2.1051
261 NA	Enamel fire control inside black	1-gallon cans	4,056	7,619.56	1.8786
268 N	Enamel exterior primer asphalt gloss black.	do	4,176	4,980.39	1.1926
		5-gallon cans	3,000	3,308.10	1.1027
268 NA	Enamel alkyd resin black	do	95	193.29	2.0347
270 N	Enamel exterior medium navy gray	1-gallon cans	60	119.39	1.9898
272 N	Interior oil ready-mixed light ivory	do	384	1,087.72	2.8326
273 N	Interior oil ready-mixed flat	5-gallon cans	12,865	30,772.60	2.3919
274 N	Primer sealer, interior wall	1-gallon cans	204	359.47	1.7621
		5-gallon cans	685	1,145.52	1.6723
275 N	Enamel olive drab	do	25	52.26	2.0904
278 N	1 coat flat deep navy gray	1-gallon cans	474	1,111.78	2.3455
280 N	General purpose gray	do	2,052	6,299.62	3.0699
		5-gallon cans	1,120	3,337.60	2.9800
282 N	General purpose deep green	1-gallon cans	192	678.08	3.5316
284 N	Enamel medium gray	5-gallon cans	1,180	2,511.00	2.1280
287 N	Enamel alkyd resin yellow	do	1,575	4,279.13	2.7169
89 N	Enamel alkyd resin, blue	1-gallon cans	96	208.85	2.1755
90 N	Enamel alkyd resin, green	5-gallon cans	3,330	7,504.43	2.2536
91 N	Enamel alkyd resin, fire red	1-gallon cans	990	2,775.26	2.8033
92 N	Enamel alkyd resin, white	5-gallon cans	95	195.48	2.0577
84 D47	Zinc chromate, prime green	1-gallon cans	1,080	3,065.15	2.8381
		5-gallon cans	18,660	51,282.55	2.7483
L2361	Chlorinated rubber, red deck	do	15	58.89	3.9260
L2362	Chlorinated rubber, gray deck	do	30	102.02	3.4007
L2363	Chlorinated rubber, interior white	do	110	363.82	3.3074
L2364	Chlorinated rubber, interior green	do	25	82.00	3.2800
	Total, class B		1,893,401	3,382,129.03	

CLASS C PAINTS

14 W1	Varnish mixing	50-gallon cans	7,900	$12,154.09	$1.5385
21	Stain, flight deck	5-gallon cans	28,815	24,224.61	.8407
30	Enamel white	1-gallon cans	35,718	74,975.65	2.0991
		5-gallon cans	44,930	90,278.67	2.0092
41	Striping brown	1-gallon cans	96	156.36	1.6288
47	Varnish asphalt	do	1,800	1,351.80	.7510
		5-gallon cans	6,385	4,221.22	.6611
55–54	Varnish mixing	50-gallon cans	200	312.99	1.5650
80	Varnish, spar	1-gallon cans	3,270	5,950.39	1.8197
85	do	50-gallon cans	1,000	1,622.11	1.6221
93	Varnish, mixing	do	84,050	145,385.16	1.7298
113	Vinylindene resin solution	5-gallon cans	50	78.99	1.5798
113–49	Vinylindene resin solution orange pigment.	do	105	181.92	1.7325
247	Varnish, motorboat	1-gallon cans	7,212	13,268.74	1.8397
253 N	Varnish, interior	do	1,002	1,662.72	1.6594
		50-gallon cans	16,000	22,210.43	1.3882
260 N	Liquid paint drier	do	1,700	1,515.72	.8916
264 N	Varnish, aluminum mixing	1-gallon cans	27,270	47,063.78	1.7258
		1-quart cans	203	347.86	1.7136
276 N	Paint, heat resistant aluminum	5-gallon cans	4,600	8,483.90	1.8443
279 N	Varnish, mixing	50-gallon cans	4,100	7,763.78	1.8936
281 N	Interior emulsion paste	1-gallon cans	1,560	3,326.55	2.1324
No number	Varnish, spar, water resisting	do	2,130	3,754.55	1.7627
		5-gallon cans	2,080	3,479.71	1.6728
	Total, class C		282,176	473,771.70	

CLASS E PAINTS

25	Varnish, shellac, green	1-gallon cans	2,952	$9,182.16	$3.1105
	Total, class E		2,952	9,182.16	

Computation of unit costs—Continued

CLASS F PAINTS

Formula number	Mixture	Packaging	Gallons or pounds manufactured	Total cost	Unit cost
	Putty, boat	50-pound cans	[1] 9,400	$1,056.61	$0.1124
67	Putty, slate color	12½-pound cans	[1] 3,975	1,582.18	.3980
68	Putty, red lead	22-pound cans	[1] 6,380	2,002.68	.3139
		25-pound cans	[1] 10,925	3,428.47	.3139
69	Putty, white	12½-pound cans	[1] 198,150	47,698.79	.2407
	Total, class F		[1] 228,830	55,768.73	

CLASS G PAINTS

No number	Linseed oil blend	Not canned	12,118	$3,741.96	$0.3088
Do	Vehicle for F14	do	117,209	26,592.67	.2269
Do	Vehicle for F10545	do	75,400	10,286.67	.1364
Do	Vehicle for F14650	do	45,857	6,153.26	.1342
2	Phenolic solution	do	111,071	32,733.52	.2947
15 HP	Plastic antifouling	50-gallon cans	262,160	62,944.61	.2401
		580-pound cans	2,299,120	526,182.79	.2288
106 NA	Exterior cold water	5-gallon cans	320	241.97	.7561
143	Phenolic vehicle	Not canned	402,949	71,406.89	.1772
	Total, class G		[1] 3,326,204	740,284.34	

UNCLASSIFIED [2] (CANNING PROCESS ONLY)

No number	Chinawood oil		[1] 424	$148.27	$0.3497
Do	Volatile mineral spirits		[1] 91,390	2,162.44	.0300
	Total, unclassified		[1] 91,814	2,310.71	

REWORKED

	Total, reworked		65,845	$32,344.00	$0.4912
	Grand total		6,037,734	4,948,669.12	

[1] Pounds.
[2] The item entitled "Unclassified" is not a manufactured product. The cost shown is for canning and packaging.

Computation of unit costs—Continued

SUMMARY

	Production, gallons or pounds	Labor and overhead [4]	Material	Total
Class A	146,512 gallons	$25,276.99	$227,601.46	$252,878.45
Class B	1,893,401 gallons	443,650.11	2,938,478.92	3,382,129.03
Class C	282,176 gallons	52,079.89	421,691.81	473,771.70
Class E	2,952 gallons	552.28	8,629.88	9,182.16
Class F	228,830 pounds	34,960.26	20,808.47	55,768.73
Class G	3,326,204 pounds	130,615.38	609,668.96	740,284.34
Unclassified	91,814 pounds	718.79	1,591.92	2,310.71
Reworked	65,845 gallons	14,341.22	18,002.78	32,344.00
Total	6,037,734	701,194.92	[4] 4,246,474.20	4,948,669.12

[4] The distribution of labor and overhead expense was accomplished by the use of the following factors prescribed in vol. VI of the Bureau of Supplies and Accounts Manual, par. 66258, subpar. 3h (2):

	Class	Factor
(*a*) Production	A	0.95
	B	1.5
	C	1.0
	E	.5
	F	.1
	G	.3
(*b*) Canning:		
1-pint cans		2.5
1-quart cans		1.7
1-gallon cans		1.0
5-gallon drums		.5
50-gallon drums		.1
12½-pound putty cans		.3
(*c*) Pigments:		
25-pound cans		.125
50-pound cans		.075

No factor was prescribed for distribution of labor and overhead expense to rework; see par. 11 of report comments.

SCHEDULE 1.—*Statement of cost of production fiscal year ended June 30, 1951*

	Costs payable from naval appropriations			Constructive costs	Total cost of production	Percentile ratio
	Per shipyard's records	Adjustments	Total			
Direct labor	$197,346.87		$197,346.87		$197,346.87	3.99
Direct material:						
Raw material	3,737,527.27	[1] $247,647.91	3,985,175.18		3,985,175.18	80.53
Containers	255,108.26	[1] 6,190.76	261,299.02		261,299.02	5.28
Indirect factory expense	310,020.32	[2] (49,573.30) [3] 19,091.07	279,538.09	[6] $73,353.49	352,891.58	7.13
General expense		[4] 1,063.70 [5] 111,536.04	112,599.74	[7] 39,356.73	151,956.47	3.07
Total cost of production	4,500,002.72	335,956.18	4,835,958.90	112,710.22	4,948,669.12	100.00

[1] Represents the difference between Navy standard prices utilized by the shipyard and the weighted average unit prices computed by the Navy cost inspector from Navy procurement contracts after appropriate adjustment to give effect to freight charges and purchase discounts where applicable.
[2] Elimination of cost of palletizing (see exhibit B and note 1 of exhibit D).
[3] Adjustment to depreciation on buildings, machinery, and equipment utilized by paint factory (refer to exhibit B and note 5 of exhibit D).
[4] Allocable portion of adjustment to depreciation on buildings, machinery and equipment, applicable to industrial activities of the shipyard (per exhibit C).
[5] Industrial general expense allocated to paint factory operations (per exhibit C).
[6] Adjustment to give effect to constructive costs as detailed on exhibit B and explained to exhibit D hereof.
[7] Adjustment to give effect to constructive costs as detailed on exhibit C and explained on exhibit D hereof.

EXHIBIT B

Computation of allocable indirect factory expense, fiscal year ended June 30, 1951

Factory overhead expense per exhibit B, schedule I		$310,020.32
Deduct:		
Miscellaneous labor: Receiving, crating, palletizing, and shipping (note 1)	$17,006.90	
Miscellaneous consumable supplies: Receiving, crating, palletizing, and shipping (note 1)	32,566.40	
		49,573.30
Subtotal		260,447.02
Add:		
Constructive costs:		
Government's contribution to retirement fund (note 2)	$22,853.49	
State of Virginia, capital tax on inventories, (note 3)	35,500.00	
Insurance, inventories (note 4)	15,000.00	
Other:		
Insurance, investories (note 4)	15,000.00	
Depreciation on buildings, machinery, and equipment (note 5)	19,091.07	
		92,444.56
Total		352,891.58

NOTE.—Refer to exhibit D for explanatory comment re above footnotes.

SCHEDULE I.—*Detailed statement of indirect factory expense, fiscal year ended June 30, 1951*

Account	*Amount*
Miscellaneous labor, shop and toolroom	$11,299.91
Miscellaneous consumable supplies	19,713.18
Office labor	7,798.83
Miscellaneous labor, receiving, handling, crating, palletizing, and shipping	70,937.65
Miscellaneous consumable supplies for handling, crating, palletizing, and shipping	88,059.09
Fuel	5,458.80
Safety	321.24
Time allowed	116.58
Instruction of employees	173.52
Travel time	18.65
Sick leave	9,097.98
Annual leave	23,779.53
Holiday leave	7,403.44
Supervision	15,372.95
Coding error	(4.05)
Repairs to miscellaneous equipment	9,032.96
Repairs, plant appliances	4,282.17
Repairs, machinery and machine tools	20,400.78
Repairs, portable power tools	273.30
Repairs, loose and hand tools	54.55
Power	6,634.57
Repairs to building and structures	1,030.61
Depreciation, machinery and equipment	8,764.08
Paint factory indirect factory expense before adjustment	310,020.32

SCHEDULE II.—*Summary statement of indirect factory expense and direct labor productive and process shops fiscal year ending June 30, 1951*

No.	Shop	Factory overhead	Direct labor	Total
	PRODUCTIVE SHOPS			
11	Ship fitter	$1,274,825.16	$2,895,474.40	$4,170,299.56
17	Sheet metal	630,914.73	1,676,800.59	2,307,715.32
23	Forge	177,108.01	201,466.57	378,574.58
26	Welding	619,999.01	1,650,051.49	2,270,050.50
31	Inside machine	1,623,198.66	3,679,673.49	5,302,872.15
35	Optical	149,103.55	354,812.91	503,916.46
38	Outside machine	785,177.39	2,462,239.59	3,247,416.98
41	Boiler	295,150.28	831,021.44	1,126,171.72
51	Electric	1,068,752.93	3,697,526.05	4,766,278.98
56	Pipe and copper	719,673.50	1,881,198.27	2,600,871.77
64	Woodworking	419,127.17	1,194,514.70	1,613,641.87
67	Electronics	224,841.47	435,451.48	660,292.95
68	Boat	253,131.38	655,025.26	908,156.64
71	Paint shop	507,302.08	1,350,782.75	1,858,084.83
72	Riggers and laborers	825,621.17	2,665,670.57	3,491,291.74
74	Sail loft	91,673.19	274,074.08	365,747.27
99	Temporary service	67,420.42	202,377.19	269,797.61
	Total productive shops	9,733,020.10	26,108,160.83	35,841,180.93
	PROCESS SHOPS			
25	Gas	264,819.28	16,442.33	281,261.61
27	Galvanizing	15,922.54	20,796.23	36,718.77
81	Foundry	573,677.21	158,410.51	732,087.72
93	Printing	26,919.23	37,492.23	64,411.46
96	Paint factory	[1] 310,020.32	197,346.87	507,367.19
	Total process shops	1,191,358.58	430,488.17	1,621,846.75
	Grand total	10,924,378.68	26,538,649.00	[2] 37,463,027.68

[1] Detailed on exhibit B, schedule I.
[2] Per SandA Form 269.

EXHIBIT C

Computation of general expense allocable to paint factory operations year ended June 30, 1951

Total general expense apportioned to industrial functions, per exhibit C, schedule I		$10,725,885.20	
Deduct expenses considered inapplicable to paint factory operations:			
Ordnance offices (note 6)	$10,636.12		
Fire protection (other than mobile) (note 7)	59,125.00		
Drafting (note 6)	908,710.00		
Engineering (note 6)	276,709.04		
Electronics offices (note 6)	95,475.33		
Federal Insurance Contributions Act (note 8)	87,686.44		
Miscellaneous power connections, gangway service, berthing (note 6)	60,435.85		
Receiving, storage, and shipping of inert ordnance (note 6)	25,617.20		
Packaging and packing (other than household goods) (note 6)	86,983.94		
Household goods (storage) (note 6)	933.14		
Household goods (other than storage) (note 6)	9,529.94		
Cyclic preservation (note 6)	26,288.88		
Initial preservation (other than new procurement) (note 6)	2,233.33		
All other preservation (note 6)	265.50		
Traffic shipping (note 6)	25,870.96		
Locomotive cranes (note 6)	166,508.74		
Oxygen distributing systems (note 6)	12,797.68		
Water front and water-front structures (note 6)	629,246.11		
		2,485,044.20	
Induatrial general expense apportionable to paint factory operations			$8,240,841.00
Percentile ratio of applicable industrial general expense to total general expense (industrial and nor.industrial), 44.09 percent.			
Add constructive costs (note 12):			
Military pay (note 9)	$101,188.24		
Government's contribution to pension fund (note 2)	321,955.93		
Real-estate taxes (note 10)	1,361,749.03		
State of Virginia capital tax on inventories (note 3)	4,144.67		
Insurance on buildings and improvements (note 11)	747,681.26		
Insurance on inventories, machinery, and equipment (note 4)	369,795.07		
		$2,906,514.20	
Other adjustments (note 13): Depreciation on buildings, machinery, and equipment (note 5)		74,153.26	
			$2,980,667.46
Total industrial general expense for allocation to paint factory operations as adjusted			11,221,508.46
Total direct labor and indirect factory expense of productive and process shops (per exhibit B, schedule II)			37,463,027.68
General expense rate for application to paint factory operations, 29.95 percent.			
Paint factory direct labor and indirect factory expense			507,367.19
General expense allocated to paint factory operations:			
Industrial general expense as adjusted		$111,536.04	
Adjustment, depreciation on buildings, machinery, and equipment		1,063.70	
Constructive costs		39,356.73	
			151,956.47

NOTES 1 to 11.—Refer to exhibit D for explanatory comment re footnotes 1 to 11.

NOTE 12.—The distribution of constructive costs to industrial general expense for allocation to paint-factory operations has been determined as follows:

Constructive costs	Total applicable to all general expense functions	Amount allocable to industrial activities
Military pay	$299,503.84	$101,188.24
Government's contribution, pension fund	730,224.39	321,955.93
Real-estate taxes	3,088,566.64	1,361,749.03
Virginia capital tax on inventories	9,400.48	4,144.67
Insurance on buildings and improvements	1,695,806.89	747,681.26
Insurance on inventories, machinery, and equipment	838,727.76	369,795.07
Total	6,592,230.00	2,906,514.20

Computations:

Industrial general expense apportionable to paint-factory operations (44.09 percent)	$8,240,841.00
Total general expense, per exhibit C, schedule I	18,690,695.63
Total constructive costs ($6,592,230)×rate applicable to industrial activities (44.09 percent)=amount of constructive costs allocable to industrial activities of shipyard	2,906,514.20

NOTE 13.—The adjustment for depreciation on buildings, machinery, and equipment resulting from application of a composite rate, as related in note 5 of exhibit D, was distributed to industrial general expense on the basis of the above derived rate of 44.09 percent. (Total adjustment ($95,815.64)×rate applicable to industrial activities (44.09 percent)=$74,153.26.

SCHEDULE I.—*Detailed statement of general expense*

Account classification	Allocation		Total general expense
	Industrial	Nonindustrial	
Administrative:			
Command administration	$156,603.01	$23,400.45	$180,003.46
Aeronautics offices		55.45	55.45
Ordnance offices	10,636.12	328.95	10,965.07
Accounting, disbursing, and bonds offices	338,567.98	300,239.53	638,807.51
Bureau of Ships offices	566,041.26	77,187.45	643,228.71
Planning and estimating	824,200.47	25,490.74	849,691.21
Public works offices	41,218.64	61,827.95	103,046.95
Employment and employee services	265,248.31	54,327.97	319,576.28
Progress Division	22.04	.92	22.96
Legal and procurement legal offices	1,450.96	4,352.86	5,803.82
Blueprinting and photostating	138,947.87	46,315.96	185,263.83
Printing		2,063.09	2,063.09
Other duplicating	6,196.79	2,065.60	8,262.39
Safety	37,457.06	17,912.89	105,369.95
Fire protection	59,125.00	288,669.10	347,794.10
Police protection	273,730.45	175,007.99	448,738.44
Inspection	66,779.28	22,259.76	89,039.04
Research	123,693.90	201,816.35	325,510.25
Drafting	908,710.00	580,978.53	1,489,688.53
Janitor services	78,624.14	52,416.10	131,040.24
Training	93,573.44	16,512.96	110,086.40
Central tool room	1,261,127.72	140,125.30	1,401,253.02
Engineering	276,700.04	97,218.93	373,918.97
Service shops	204,824.79	204,824.79	409,649.58
Electronics offices	95,475.33	23,868.83	119,344.16
Miscellaneous power connections, berthing, gangway service	60,435.85	90,653.77	151,089.62
Communications offices	98,134.12	42,057.48	140,191.60
Industrial engineering	56,779.27	8,484.26	65,263.53
Budget offices	21,167.13	654.65	21,821.78
FICA	87,686.44	3,895.08	91,581.52
Civilian travel	7,453.78	2,898.69	10,352.47
Unclassified	118,622.73	220,299.36	338,922.09
Depreciation	155,798.58	70,766.30	226,564.68
Power	66,337.94	30,131.83	96,469.77
Total administrative expense	6,551,370.24	2,889,109.87	9,440,480.11
Supply system:			
Management	6,925.70	15,415.28	22,340.98
Administrative services	29,566.05	50,227.66	72,793.71
Employment and employee services	8,633.70	19,216.95	27,850.65
Receiving, storage, and shipping of inert ordnance	25,617.20	57,018.93	82,636.13
Technical research	6,597.25	14,684.19	21,281.44
Technical allowance list, preparation and maintenance of	9,926.36	22,094.14	32,020.50
Technical packing and preservation specification	1.40	3.10	4.50
Technical material identification	21,222.49	47,237.15	68,459.64
Technical data and files, maintenance	1,658.78	3,692.12	5,350.90
All other technical	2,618.85	5,829.04	8,447.89
Inventory	23,385.61	52,051.83	75,437.44
Cyclic preservation of material	1,078.26	2,399.99	3,478.25
Inventory control; stock control	127,171.78	283,059.76	410,231.54
Inventory control, issue control	41,131.79	91,551.41	132,683.20
Inventory control, receipt control	50,978.55	113,468.38	164,446.93
Inventory control, class accountability	2,502.89	5,570.94	8,073.83
All other inventory control	13.58	30.24	43.82
Traffic, receiving	28,588.74	63,633.01	92,221.75
Traffic, shipping	25,870.96	57,583.75	83,454.71
Traffic, delivery	8,764.75	19,508.65	28,273.40
All other traffic	6,292.53	14,005.95	20,298.48
Procurement, purchase	1,743.98	3,881.75	5,625.73
Procurement, purchase documents preparation	9,567.03	21,294.37	30,861.40
Procurement, contract administration	6.65	14.79	21.44
Procurement, requisition and other	12,032.26	26,781.49	38,813.75
All other procurement	1,489.79	3,315.99	4,805.78
Storage, rewarehousing	20,208.85	44,980.98	65,189.83
Storage, all other storage	289,438.27	644,233.58	933,671.85
Storage, fuel, drum storage	24.07	53.57	77.64
Storage, fuel, drum filling	99.53	221.55	321.08
All other fuel storage	5.57	12.40	17.97
Packaging and packing (other than household goods)	86,983.94	193,609.42	280,593.36
Household goods (storage)	933.14	2,077.00	3,010.14
Household goods (other than storage)	9,529.94	21,211.80	30,741.74
Initial preservation of new procurement	241.23	536.94	778.17
Cyclic preservation	25,210.62	56,113.95	81,324.57
Initial preservation, other than new procurement	2,233.33	4,970.95	7,204.28
All other preservation	265.50	590.95	856.45
Labor and equipment offices	2,222.00	4,945.73	7,167.73

SCHEDULE I.—*Detailed statement of general expense*—Continued

Account classification	Allocation		Total general expense
	Industrial	Nonindustrial	
Supply system—Continued			
Labor and equipment, building services	$3,668.80	$8,166.04	$11,834.84
Janitor services	11,049.81	24,594.74	35,644.55
All other labor and equipment services	25,464.37	56,678.76	82,143.13
Disposal	58.53	130.27	188.80
Miscellaneous equipment	8,756.43	19,490.12	28,246.55
Office equipment	1,127.99	2,510.70	3,638.69
Plant appliances	2,620.98	5,833.79	8,454.77
Loose and hand tools	81.84	182.17	264.01
Unclassified	37,753.71	84,032.46	121,786.17
Depreciation	61,558.48	137,017.28	198,575.76
Power	25,548.89	56,866.89	82,415.78
Total supply system expense	1,061,472.75	2,362,632.90	3,424,105.65
Transportation:			
Locomotives	79,497.04	34,070.16	113,567.20
Rolling stock	25,764.33	11,041.86	36,806.19
Miscellaneous railroad	1,932.14	828.06	2,760.20
Trackage	41,747.36	17,891.72	59,639.08
Locomotive cranes	166,508.74	41,627.18	208,135.92
Other weight-handling equipment	536,844.90	94,737.34	631,582.24
Water transportation	14.21	269.97	284.18
Trucks, tractors, trailers, and semitrailers	205,907.56	68,635.85	274,543.41
Station wagons, busses, motorcycles, scooters	42,347.75	28,231.83	70,579.58
Passenger-carrying vehicles	5,126.68	3,417.79	8,544.47
Mobile fire apparatus	1,405.54	5,622.14	7,027.68
Garages	4,619.92	1,979.97	6,599.89
Shipping cranes and operating mechanisms		7,419.01	7,419.01
Material-handling equipment	44,705.69	14,901.90	59,607.59
Unclassified	338,971.64	145,273.56	484,245.20
Depreciation	332,332.47	103,743.81	436,076.28
Power	22,841.40	7,130.38	29,971.78
Total transportation expense	1,850,567.37	586,822.53	2,437,389.90
Communication systems and distributing systems other than power:			
Individual heating units	8.08	18.00	26.08
Refrigeration plant			
Distributing systems—other gas plants	14,675.79	772.41	15,448.20
Fuel-distributing system	427.01	183.00	610.01
Gas-distributing system	39.12		39.12
Oxygen-distributing system	12,797.68	673.56	13,471.24
Communication system	41,792.72	17,911.17	59,703.89
Radio stations		96,060.27	96,060.27
Unclassified		(7,366.10)	(7,366.10)
Depreciation	48,308.34	37,718.10	86,026.44
Power	3,549.79	2,771.60	6,321.39
Total, communication systems and distribution systems other than power	121,598.53	148,742.01	270,340.54
Grounds and ground structures:			
Grounds	16,691.59	38,947.04	55,638.63
Parking, storage, and work areas	4,782.08	11,158.18	15,940.26
Streets, sidewalks, and roads	17,382.45	9,359.78	26,742.23
Street lighting	9,289.07	6,192.72	15,481.79
Fences and walls	4,453.12	2,968.74	7,421.86
Sewerage and storm drainage	4,735.64	3,157.09	7,892.73
Trash, scrap, and garbage removal	19,870.92	19,870.92	39,741.84
Snow removal and street cleaning	3,633.19	1,956.34	5,589.53
Bridges	49.36	49.36	98.72
Recreation area (swimming pools, tennis courts, etc.)		9,178.47	9,178.47
Malarial and pest control	3,632.07	2,421.38	6,053.45
Incinerator	5,247.18	7,870.76	13,117.94
Miscellaneous construction equipment	12,157.45	12,157.44	24,314.89
Unclassified	36,415.36	4,046.15	40,461.51
Depreciation	169,228.54	162,394.58	331,623.12
Power	21,305.06	20,444.69	41,749.75
Total, grounds and ground structures	328,873.08	312,173.64	641,046.72

SCHEDULE I.—*Detailed statement of general expense*—Continued

Account classification	Allocation		Total general expense
	Industrial	Nonindustrial	
Water front and water-front structures:			
Wharves, piers, and quays	$32,575.68	$48,863.53	$81,439.21
Shipways		1,066.24	1,066.24
Drydocks	179,000.20	66,205.55	245,205.75
Floating equipment	17,536.86	26,305.30	43,842.16
Dredging	10,398.43	15,597.65	25,996.08
Unclassified	15,778.33	15,778.32	31,556.65
Depreciation	354,443.16	248,890.44	603,333.60
Power	19,513.45	13,702.36	33,215.81
Total, water front and water-front structures	629,246.11	436,409.39	1,065,655.50
Power generation and distribution		752,591.05	752,591.05
Personnel facilities, hospitals, etc		476,329.04	476,329.04
Disability	182,757.12		182,757.12
Total general expense	10,725,885.20	7,964,810.43	[1] 18,690,695.63

[1] Per S. and A. Form 419.

EXHIBIT D

EXPLANATORY COMMENTS WITH RESPECT TO FOOTNOTES REFERENCED ON EXHIBITS AND SCHEDULES OF REPORT

1. The cost of pallet tops and bottoms is considered a warehousing expense and accordingly has been excluded from paint manufacturing costs.

2. Provision for the Government's ultimate contribution to the retirement fund has been computed at the rate of 6½ percent of total basic salaries and wages, overtime compensation having been excluded to the extent ascertainable, which rate has been established as currently appropriate based on the prevailing actuarial experience reported by the Civil Service Commission.

3. For the purpose of computing a provision for State of Virginia capital tax, taxable capital was necessarily limited to the estimated value of inventories on hand as at January 1, 1951, in view of the fact that other elements of taxable capital, if any, are not readily susceptible to determination under an appropriation-type system of accounting. The effective tax rate of 75 cents per $100 of valuation was utilized with respect thereto.

4. The constructive cost for fire insurance on machinery, equipment, and inventories was calculated by the application of a rate of $1.775 per $100 valuation, in accordance with the opinion obtained from a leading brokerage firm in the area, for application to a naval shipyard and its activities. Initial costs were accepted as insurable values for machinery and equipment, since it would appear that the accumulated depreciation thereon has largely offset increased replacement costs. Estimated cost, based on average inventories on hand, was used as the insurable value for determining the cost of insurance on inventories.

5. Provision for depreciation of the machinery and equipment utilized by the paint factory was computed in accordance with the rates set forth in Bureau of Internal Revenue Bulletin F (rev. 1–42) applied to the cost of the individual items concerned. Depreciation on other paint factory plant assets, as well as the total depreciable plant assets of the general and administrative and service departments of the shipyard, was determined by the application of a composite rate of 3⅓ percent of cost, which rate is reported in the Accountant's Handbook, second edition, as being recommended for usage with respect to shipyards by the committee on depreciation of the Atlantic Coast Shipbuilders' Association.

6. Considered inapplicable to the paint factory in view of the fact that none of the services or functions represented thereby were availed of directly or indirectly in the operations incident to the manufacturing of paint.

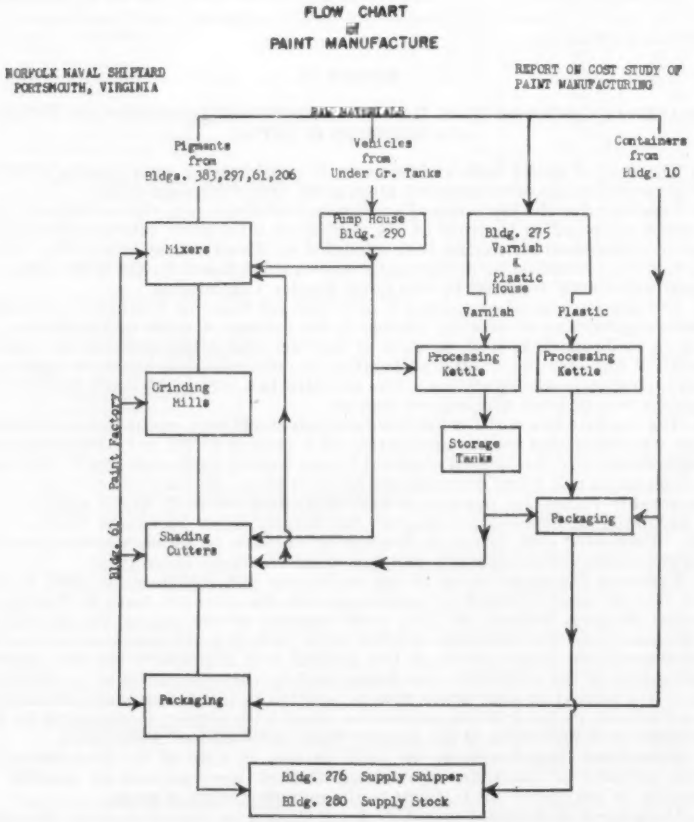
7. Considered of doubtful propriety for inclusion in general expense allocable to paint factory operations, in view of the acceptance of commercial rates for fire insurance coverage for purposes of this report. In any event, the subject exclusion has little effect on the apportionment rate derived.

8. Excluded from general expense for reasons set forth in paragraph 15 of the report comments.

9. Allowance for military pay was derived from information contained on the monthly report of Directory of Officers, 5ND–NNSY–1040, and is comprised of those officers whose prime duties are related directly or indirectly to the operations of the paint factory.

10. Provision for real-estate taxes was computed at a rate of $2 per each $100 of assessed valuation. Since assessed valuation for real-estate tax purposes is based on 70 percent of 1940–41 market values, which are undeterminable in this instance, initial costs were accepted as assessed values for purposes of this report on the theory that the low cost of plant assets acquired prior to 1940 may be partially offset by the elimination of the 70-percent clause.

11. A rate of $1.008 per $100 valuation was utilized in computing a provision for fire insurance on buildings and improvements, based on information received from the source noted in note 4 above. To compensate for present increased building replacement costs, 158 percent of initial costs was considered to represent a reasonable insurable valuation. The application of this appreciation factor is supported by statistics compiled by E. H. Boeckh and Associates, nationally known appraisal engineers, and is indicative of the increase which has occurred in building costs since 1946.



OAKLAND EXHIBIT 2A

PAINT MANUFACTURING SHOP, MARE ISLAND NAVAL SHIPYARD, VALLEJO, CALIF.—REPORT ON COST STUDY OF OPERATIONS FOR THE PERIOD JANUARY 20 TO JUNE 19, 1951, INCLUSIVE

The report on the cost study of paint manufacturing at the Mare Island Naval Shipyard, Vallejo, Calif., based on operations during the fiscal year ended June 30, 1951, was made by the Navy Cost Inspection Service to serve as a basis of study and comparison with commercial paint manufacturing. This study, together with a similar one made at the Norfolk Naval Shipyard, Portsmouth, Va., is being used by a selected committee of the National Security Industrial Association for the purpose of additional analysis and comparison of the cost of Navy paint manufacture with that of commercial manufacture.

CONTENTS

Comments.	
Summary of average unit costs of finished products manufactured during the period January 20 to June 19, 1951, inclusive	Exhibit A.
Summary of unit costs of finished products manufactured during the period January 20 to June 19, 1951, inclusive	Exhibit B.
Summary of total costs of finished products manufactured during the period January 20 to June 19, 1951, inclusive	Exhibit C.
Summary of cost of operations for the period January 20 to June 19, 1951, inclusive	Exhibit D and schedules 1 to 16.
Reconciliation of production per plant output cost summaries (S and A Form 285b) with reconstructed production for the accounting period February 1 to June 30, 1951, inclusive. Production period January 20 to June 19, 1951, inclusive	Exhibit E and schedules 1 to 3.

COMMENTS

PURPOSE AND SCOPE OF STUDY

1. In accordance with the request of the Chief of the Bureau of Supplies and Accounts, the supervisory cost inspector, western area, has conducted a cost study of the operations of the paint manufacturing shop, Mare Island Naval Shipyard, Vallejo, Calif., for the purpose of determining the cost of manufacturing each of the various paint products, packaged ready for shipment.

2. The cost study covered the period January 20 to June 19, 1951, inclusive, and the costs developed by the supervisory cost inspector for the paint products manufactured during that period are summarized in exhibit A and detailed in the accompanying exhibits and schedules.

COST CENTERS

3. To determine costs applicable to the various paint products, operations were segregated into the following cost centers:

(*a*) Raw material handling and storage.
(*b*) Mixing and milling:
  (1) Steel ball mills.
  (2) Pebble mills.
  (3) Special pebble mill.
  (4) Five-roller mills.
  (5) Three-roller mills.
  (6) Hyspeed mills.
  (7) Putty mills.
(*c*) Rosin crushing and melting.
(*d*) Cooking.
(*e*) Cooling and storage (manufactured ingredients and finished products).
(*f*) Mixing (products produced by mixing only).
(*g*) Hot plastic paint milling, drumming, and weighing.
(*h*) Canning and recanning.

Operating costs were accumulated within these cost centers (see exhibit D and supporting schedules). By studies of statistical information maintained at the paint manufacturing shop, the supervisory cost inspector was able to determine the output of each cost center and the time the facilities thereof were utilized for each of the individual products. This information was used as a basis for the allocation of operating costs accumulated within each cost center to the individual products processed therein.

4. As will be noted, the supervisory cost inspector has not provided for the accumulation of costs incurred by the Government for the following operations:

(*a*) Palletizing and strapping of finished paint products.

(*b*) Industrial laboratories.

The reasons for the nonconsideration of these costs are as follows:

(*a*) Palletizing and strapping of finished paint products is not considered to be a manufacturing cost, but rather a storage and handling cost. Paint products purchased by the Department of the Navy are not required to be palletized and strapped by the vendors, and when received at the shipyard they are subjected to the same type of palletization as the paint products manufactured by the paint manufacturing shop.

(*b*) Since the industrial laboratories perform analyses of and develop formulae for paint purchased from commercial sources as well as for Navy paint manufacturing shops, and no cost therefor is included in the cost of commercial paint purchased by the Government, the supervisory cost inspector has not included any individual laboratory costs in the operating costs of the paint manufacturing shop.

DEVELOPMENT OF COST DATA

5. The costs developed are composed of—

(*a*) Costs payable from current naval appropriations.

(*b*) Constrluctive costs not normally taken into account in determining costs of a Government operation.

The costs payable from current naval appropriations, and production volume data set forth in exhibit E and accompanying schedules, were developed from fiscal records maintained at the Mare Island Naval Shipyard and from information furnished by cognizant personnel attached thereto.

6. Acquisition costs of materials incorporated in the individual formulas as set forth in exhibit C, were developed by reference to vendors' invoices and related contracts, adjusted for cash discounts and incoming freight charges where applicable.

7. Constructive costs include allowances for depreciation, property taxes, State of California franchise tax, insurance, the Government's contribution to the retirement fund, and the excess of utility costs occasioned by the difference in rates quoted by supplying utility companies for independent plants of a similar size and the rates used by the shipyard in billing its component activities. Attention is invited to exhibit D, schedule 16, wherein is contained a detailed elaboration of the constructive cost elements.

8. As set forth in footnote 11 to exhibit D, an allowance of 5 percent of total operating costs (costs payable from current naval appropriations and constructive costs, but excluding direct material costs) has been included, as a conservative measure, as general and administrative expenses. Elimination of this cost factor would result in a decrease in cost of finished paint products approximately as follows:

	Per gallon
Gallon units	$0.01076
Pound units	.00101

GENERAL COMMENTS

9. In the presentation of the cost findings the supervisory cost inspector has considered it appropriate to set forth on exhibit A the manufacturing costs apart from the direct material costs for the reason that direct material costs are subject to fluctuation within relatively short periods of time and allowance for any such fluctuation would, of necessity, have to be taken into consideration in comparisons of paint product costs.

IN CONCLUSION

10. It is the opininon of the supervisory cost inspector that the accompanying exhibits and schedules present fairly the operating costs plus applicable construction costs of the paint manufacturing shop, Mare Island Naval Shipyard, Vallejo, Calif., during the period January 20 to June 19, 1951, inclusive.

W. H. HOWLAND,
Commander (SC) USN, Supervisory Cost Inspector, Western Area.

OCTOBER 1, 1951.

EXHIBIT A

Summary of average unit costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive

Formula No.	Stock No.	Name of mixture	Quantity	Container size	Manufacturing costs			Direct material costs payable from current naval appropriations	Total costs
					Costs payable from current naval appropriations	Constructive costs	Total		
			Gallon units	*Gallons*					
Class B:			1,233	1	$0.2690	$0.0795	$0.3485	$1.7854	$2.1339
3	52-P-560	Black boot topping	18,100	5	.1433	.0660	.2093	1.7203	1.9296
	52-P-565	do	296,945	5	.1331	.0610	.1941	1.7316	1.9257
5H	52-P-961	Haze gray, No. 27, exterior camouflage	8,175	5	.1510	.0623	.2133	1.6790	1.8923
5N	52-P-963	Navy gray, No. 7, exterior camouflage	4,665	5	.1717	.0650	.2367	1.6399	1.8766
5NB	52-P-950	Navy blue, exterior camouflage	1,054	1	.2113	.0700	.2813	1.9901	2.2714
6	52-P-5300	White glossy exterior camouflage	715	5	.1404	.0630	.2034	1.9250	2.1284
	52-P-5305	do	120	5	.1472	.0616	.2088	1.6137	1.8225
7	32-P-5255	Spar color, exterior oil paint	5,240	5	.1677	.0705	.2382	1.7536	1.9918
13	52-P-4955	Dull black, exterior camouflage	66,440	5	.1886	.0778	.2664	1.6782	1.9446
14	52-P-6510	Anticorrosive, shipbottom	19,040	5	.1547	.0747	.2294	1.6989	1.9283
14D	52-P-6540	Anticorrosive, submarine	1,004	1	.2013	.0694	.2707	1.7529	2.0236
19	52-P-3298	Dark green, deck	10,210	5	.1459	.0629	.2088	1.6878	1.8966
	52-P-3299	do	70,760	5	.1580	.0663	.2243	1.5440	1.7683
20	52-P-1406-50	Dark gray, exterior, deck, type A	8,320	5	.1377	.0626	.2003	1.3921	1.5924
20B	52-P-1408-50	Dark gray, exterior, deck, type B	9,000	1	.2343	.0735	.3078	1.5215	1.8293
20L	52-P-1407	Light gray, interior deck	45,320	5	.1784	.0682	.2466	1.4564	1.7030
	52-P-1408	do	24,000	5	.1551	.0572	.2123	.6331	.8454
21	52-S-1730	Flight deck stain	5,575	5	.1501	.0672	.2173	1.8428	2.0601
23	52-P-1444	Red, deck	1,992	1	.2013	.1014	.3027	3.1127	3.4154
25	52-V-2600	Green shellac varnish	6,000	1	.2333	.0731	.3064	2.0944	2.4008
27	52-P-3500	White, fire-retardant, interior	182,470	5	.1627	.0662	.2289	2.0293	2.2582
	52-P-3505	do	195	5	.1611	.0653	.2264	1.9565	2.1829
27A	(1)	White, interior	385	5	.1631	.0666	.2297	2.1436	2.3733
27L	52-P-3245	Light gray, fire-retardant, interior	1,345	5	.1956	.0674	.2630	1.6495	1.9125
29A	(1)	White, flat, interior	500	1	.2111	.0701	.2812	2.0370	2.3182
30	52-E-6401	White, general, semigloss enamel	41,165	5	.1410	.0631	.2041	1.9719	2.2760
	52-E-6406	do	10,368	1	.2115	.0698	.2813	1.9570	2.2383
30L	52-E-5400-300	Light gray machinery enamel	35,095	5	.1643	.0664	.2307	2.0227	2.2534
31	52-P-3372	Light green, fire-retardant, interior	7,844	1	.2113	.0693	.2806	1.8888	2.1694
37	52-E-5400-310	Medium gray machinery enamel	1,500	¼	.2925	.0821	.3746	2.3004	2.6750
39	52-P-7845	Green striping paint	7,138	1	.2339	.0844	.3183	2.2042	2.5225
	52-P-7850	do	500	⅛	.3780	.0918	.4698	2.7075	3.1773
40	52-P-7880	Red striping paint	50	¼	.3075	.0846	.3921	2.5995	2.9916
	52-P-7885	do	6,023	1	.2740	.0800	.3540	2.4613	2.8153
	52-P-7890	do							

See footnotes at end of table.

Summary of average unit costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive—Continued

Formula No.	Stock No.	Name of mixture	Quantity	Container size	Manufacturing costs			Direct material costs payable from current naval appropriations	Total costs
					Costs payable from current naval appropriations	Constructive costs	Total		
Class B—Con.			*Gallon units*	*Gallons*					
41	52-P-7836	Brown striping paint	100	1	$0.2524	$0.1279	$0.3803	$1.5571	$1.9374
42	52-P-7930	Yellow striping	4,763	1	.2743	.0828	.3571	2.8855	3.2426
46	52-P-5083-5	Gray, No. 46, exterior camouflage	2,320	5	.1575	.0641	.2216	1.7178	1.9394
61	52-C-980	Linoleum cement	460	1	.2107	.1055	.3162	1.8567	2.1729
62	52-C-1650	Smoothing cement	428	1	.2819	.0777	.3596	1.5201	1.8797
64	52-C-3154	Oil and water stop compound	20	1	.2655	.0900	.3555	1.1980	1.5535
84	52-P-20635-2	High alkyd zinc chromate primer	92,840	5	.1505	.0653	.2158	2.0161	2.2319
84B	(1)	Chocolate brown metal primer	895	5	.1810	.0693	.2503	2.0839	2.3342
84E	(1)	Blue primer	195	5	.1815	.0685	.2500	1.9459	2.1959
102	52-P-9224-500	Zinc dust paint, water resisting	22,800	5	.1751	.0782	.2533	3.1355	3.3888
104	52-P-5070	Dull black, exterior camouflage	300	1	.1946	.0638	.2584	1.1909	1.4493
	52-P-5075	do	8,720	5	.1245	.0567	.1812	1.1258	1.3070
105	52-P-6578	Red cold plastic antifouling	56,505	5	.1460	.0726	.2186	2.9757	3.1943
109	52-P-5086-5	Gray, No. 11, exterior camouflage	5,020	5	.1426	.0601	2027	1.4689	1.6707
111	52-E-4034-55	Light gray equipment enamel, type I	22,798	1	.2506	.0720	.3226	1.6054	1.9280
	52-E-4034-66	do	4,265	5	.1805	.0649	.2454	1.5403	1.7857
111-III	52-E-4034-275	Light gray equipment enamel, type III	940	5	.1818	.0733	.2551	2.8372	3.0923
113	52-R-442	White vinylidene resin solution	6,180	5	.1380	.0875	.2255	1.9926	2.2181
	52-R-441-625	Orange vinylidene resin solution	3,910	5	.1183	.0769	.1952	2.1339	2.3291
114	52-P-20524-160	Gray primer undercoat for wood decks	1,255	5	.2140	.0749	.2889	2.2994	2.5883
116	52-P-20488-110	Maintenance exterior primer	144,430	5	.1549	.0667	.2216	2.1719	2.3935
117	52-P-20649-150	Zinc chromate metal conditioner	24,655	(2)	.1132	.0541	.1673	2.1039	2.2712
129	(1)	Liquid wood filler and sealer	220	5	.1763	.0603	.2366	.9477	1.1843
145	52-P-6581	Cold black plastic, antifouling	19,415	5	.2669	.0843	.3512	2.4270	2.7782
146	52-P-146	Black cold plastic antifouling paint	11,540	5	.2778	.0961	.3739	4.1278	4.5017
L-228-1	(1)	Copper flake paint	35	5	.1946	.0817	.2763	3.7057	3.9820
269	(1)	Green gray for concrete floors	80	5	.2101	.0780	.2881	2.8854	3.1735
626	(1)	Blue generator paint	325	5	.1845	.0654	.2499	1.3942	1.6441
664	52-E-8300-95	Red ordnance enamel, type I	75	5	.2031	.0769	.2800	2.9120	3.1920
665	52-E-8300-57	Medium blue ordnance enamel, type I	370	5	.1248	.0683	.1931	2.9592	3.1523
773	(1)	Vermiculite spray mixture (binder)	435	5	.1370	.0538	.1908	.5514	.7422
775B	52-P-4507	White, exterior, for wood surfaces	380	5	.2072	.0793	.2865	3.2326	3.5191
781	52-E-5400-320	Dark gray machinery enamel	1,134	1	.3697	.0866	.4563	1.7664	2.2227
822	(1)	Cream exterior flat	200	5	.2033	.0756	.2789	2.8022	3.0811
828	52-E-8300-70	Ocean gray ordnance enamel, type I	715	5	.1823	.0715	.2538	2.5306	2.7844
831G	52-E-5935-105	Light green interior gloss enamel	655	5	.1537	.0661	.2198	2.1687	2.3885
831S	52-E-6021-225	Light green interior semigloss enamel	2,385	5	.1784	.0669	.2453	1.8543	2.0969

See footnotes at end of table.

832G	52–E–5943–105	Medium green interior gloss enamel	1,635	5	.1555	.0653	.2208	2.0112	2.2320
832S	52–E–6021–245	Medium green interior semigloss enamel	315	5	.1405	.0622	.2027	1.8380	2.0407
853F	52–P–4560	White ready-mix flat	1,970	5	.2166	.0774	.2940	1.4283	1.7223
853S	52–E–6021–515	White interior semigloss enamel	1,435	5	.1407	.0623	.2030	1.8442	2.0472
872	52–E–8300–75	Slate gray ordnance enamel	310	1	.2492	.0768	.3260	2.4137	2.7397
883	52–P–4672	White 1-coat flat	580	5	.1960	.0703	.2663	1.4601	1.7264
896	52–E–6022–255	White alkyd resin exterior gloss enamel	1,095	5	.1569	.0666	.2235	2.2348	2.4583
897	52–E–6022–25	Black No. 101 alkyd resin exterior gloss enamel	635	5	.1394	.0594	.1988	1.3572	1.5560
907	52–E–8400–95	Gray No. 123 alkyd resin exterior gloss enamel	4,385	5	.1793	.0699	.2492	2.2773	2.5265
908	52–E–53000–500	Gray No. 20 alkyd resin exterior gloss enamel	312	1	.2139	.0712	.2851	2.1000	2.3851
911	52–E–53700–85	Green No. 112 alkyd resin exterior gloss enamel	10,755	5	.1415	.0675	.2090	2.5969	2.8059
912	52–E–6022–280	Yellow No. 120 alkyd resin exterior gloss enamel	2,050	5	.1794	.0727	.2521	2.7222	2.9743
916	52–E–6022–173	Orange No. 15 alkyd resin exterior gloss enamel	1,550	5	.1249	.0683	.1942	3.0894	3.2836
920	52–E–53725–20	Middlestone No. 920 alkyd resin exterior gloss enamel.	150	5	.1798	.0699	.2497	2.2782	2.5279
924	52–E–6022–36	Blue No. 17 alkyd resin exetrior gloss enamel	111	1	.2535	.0783	.3318	2.5370	2.8688
926	(1)	Green gray submarine interior	400	5	.1400	.0678	.2078	2.5694	2.7772
929A	(1)	Marine gray preservative	12,740	5	.1174	.0623	.1797	1.2949	1.4746
930	52–P–20480	Synthetic metal and wood primer	106	1	.2523	.0759	.3282	2.0226	2.3508
931	52–E–6022–81	Gray No. 19 alkyd resin exterior gloss enamel	104	1	.2097	.0694	.2791	1.9299	2.2090
Class C:									
2SB	(1)	Rust inhibitor stock solution	11,100	55	.0462	.0431	.0893	.1573	.2466
28	52–P–100–500	Black acid-resisting paint	6,040	5	.1155	.0617	.1772	.4415	.6187
75	(1)	Pumping compound	504	5	.1348	.0748	.2096	1.7034	1.9130
80B	52–V–1680	Phenolic spar varnish without driers	6,876	1	.1915	.0765	.2680	1.9231	2.1911
113	52–R–442	Clear vinylidene resin solution	7,110	5	.1018	.0671	.1689	2.0770	2.2459
262	52–P–20405	Asphalt primer	2,565	5	.1156	.0617	.1773	.4267	.6040
693	(1)	Air-test foam	85	5	.1057	.0745	.1802	3.0819	3.2621
786	(1)	Corrosive inhibitive metal putty	26	1	.2489	.0719	.3208	1.9696	2.2904
806	(1)	Linseed oil painting pretreatment	106	5	.1136	.0683	.1819	1.6606	1.8425
817	52–V–3060	High toughness water resisting spar varnish	22,049	1	.1987	.0758	.2745	1.4458	1.7203
899	52–V–1900	Shellac varnish bleached TT–V–91A–I	274	1	.2196	.0910	.3106	2.9532	3.2638
No class		Thinner spirits	600	5	.0618	.0433	.1051	.2764	.3815
		Xylene	153	1	.0620	.0478	.1098	.9590	1.0688
Class F:			*Pound units*						
67	52–P–20730	Slate color linseed oil putty	4,000	½	.0564	.0142	.0706	.1869	.2575
68	52–P–20710	Red linseed oil putty	19,750	1	.0282	.0077	.0359	.1812	.2171
158	(1)	White linseed oil putty	8,300	5	.0230	.0067	.0297	.1237	.1534
Class G:									
15HP	52–P–6550	Hot plastic shipbottom antifouling	1,047,660	55	.0133	.0071	.0204	.1988	.2192
90	52–P–5340	Black plastic composition	17,481	55	.0226	.0095	.0321	.1206	.1527
182	(1)	Titanium oxide paste pigment	2,148	1	.0240	.0060	.0300	.2238	.2538
203	(1)	Zinc oxide paste pigment	1,446	1	.0185	.0050	.0235	.1726	.1961
328	(1)	Ultramarine blue paste pigment	233	⅛	.0542	.0115	.0657	.1917	.2574
827	(1)	Red lead paste	1,600	1	.0282	.0077	.0359	.1833	.2192
	(1)	Yellow iron oxide in oil	240	1	.0328	.0072	.0400	.1630	.2030

[1] Nonstandard-manufactured for auxiliary job orders.
[2] Formula 117 is packaged as follows: 4 gallons of base paint to a 5-gallon container; 1 gallon of diluent to a 1-gallon container.

EXHIBIT B

Summary of unit costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive

Formula No.	Stock No.	Name of mixture	Type of manufacture [1]	Quantity	Container size	Costs payable from current naval appropriations					Constructive costs	Total costs
						Direct materials	Direct labor	Manufacturing expenses	General and administrative expenses	Total		
Class B:				*Gallon units*	*Gallons*							
3	52-P-560	Black boot topping	VI	1,233	1	$1.7854	$0.1421	$0.1103	$0.0166	$2.0544	$0.0795	$2.1339
3	52-P-565	do	I	15,490	5	1.7203	.0713	.0601	.0099	1.8616	.0659	1.9275
			II	2,610	5	1.7203	.0793	.0656	.0106	1.8758	.0663	1.9421
				18,100	5	1.7203	.0724	.0609	.0100	1.8636	.0660	1.9296
5H	52-P-961	Haze gray, No. 27, exterior camouflage	I	17,275	5	1.7316	.0642	.0522	.0089	1.8569	.0607	1.9176
			II	22,385	5	1.7316	.0723	.0576	.0095	1.8710	.0611	1.9321
			IV	158,885	5	1.7316	.0626	.0500	.0086	1.8528	.0596	1.9124
			V	34,665	5	1.7316	.0726	.0593	.0097	1.8732	.0617	1.9349
			VI	63,735	5	1.7316	.0805	.0668	.0106	1.8895	.0643	1.9538
				296,945	5	1.7316	.0685	.0554	.0092	1.8647	.0610	1.9257
5N	52-P-963	Navy gray, No. 7, exterior camouflage	II	6,915	5	1.6790	.0730	.0583	.0096	1.8199	.0609	1.8808
			VI	1,260	5	1.6790	.1054	.0883	.0132	1.8859	.0698	1.9557
				8,175	5	1.6790	.0780	.0629	.0101	1.8300	.0623	1.8923
5NB	52-P-950	Navy blue, exterior camouflage	V	2,475	5	1.6399	.0727	.0593	.0097	1.7816	.0611	1.8427
			VI	2,190	5	1.6399	.1047	.0878	.0131	1.8455	.0694	1.9149
				4,665	5	1.6399	.0877	.0727	.0113	1.8116	.0650	1.8766
6	52-P-5300	White glossy exterior camouflage	IV	56	1	1.9901	.1139	.0830	.0134	2.2004	.0703	2.2707
			V	998	1	1.9901	.1141	.0838	.0134	2.2014	.0700	2.2714
				1,054	1	1.9901	.1141	.0838	.0134	2.2014	.0700	2.2714
6	52-P-5305	do	IV	510	5	1.9250	.0720	.0584	.0097	2.0651	.0631	2.1282
			V	205	5	1.9250	.0722	.0593	.0097	2.0662	.0629	2.1291
7	52-P-5255	Spar color, exterior oil paint	IV	715	5	1.9250	.0726	.0587	.0097	2.0654	.0630	2.1284
				120	5	1.6137	.0772	.0601	.0099	1.7609	.0616	1.8225

13	52-P-4955	Dull black, exterior camouflage	II	5,240	5	1.7536	.0849	.0715	.0113	1.9213	.0705	1.9918
14	52-P-6510	Anticorrosive, shipbottom	II	66,440	5	1.6782	.0942	.0817	.0127	1.8668	.0778	1.9446
14D	52-P-6540	Anticorrosive, submarine	I	19,040	5	1.6989	.0762	.0676	.0109	1.8536	.0747	1.9283
19	52-P-3298	Dark green, deck	I	1,004	1	1.7529	.1089	.0795	.0129	1.9542	.0694	2.0236
19	52-P-3299	do	II	10,210	5	1.6878	.0751	.0609	.0099	1.8337	.0629	1.8966
20	52-P-1406-50	Dark gray, exterior, deck, type A	I	51,690	5	1.5440	.0710	.0596	.0097	1.6843	.0642	1.7485
			II	4,665	5	1.5440	.0789	.0656	.0104	1.6983	.0647	1.7630
			VI	15,005	5	1.5440	.1113	.0951	.0140	1.7644	.0735	1.8379
				70,760	5	1.5440	.0799	.0674	.0107	1.7020	.0663	1.7683
20B	52-P-1408-50	Dark gray, exterior, deck, type B	I	8,320	5	1.3921	.0698	.0584	.0095	1.5298	.0626	1.5924
20L	52-P-1407	Light gray, interior, deck	I	6,324	1	1.5215	.1129	.0842	.0134	1.7320	.0708	1.8028
			VI	2,676	1	1.5215	.1532	.1197	.0176	1.8120	.0801	1.8921
				9,000	1	1.5215	.1249	.0947	.0147	1.7558	.0735	1.8293
20L	52-P-1408	do	I	22,771	5	1.4564	.0711	.0596	.0097	1.5968	.0637	1.6605
			II	1,200	5	1.4564	.0790	.0649	.0104	1.6107	.0641	1.6748
			VI	21,349	5	1.4564	.1113	.0951	.0140	1.6768	.0731	1.7499
				45,320	5	1.4564	.0902	.0765	.0117	1.6348	.0682	1.7030
21	52-S-1730	Flight deck stain	V	14,940	5	.6331	.0816	.0633	.0101	.7881	.0570	.8451
			VI	9,060	5	.6331	.0815	.0637	.0101	.7884	.0575	.8459
				24,000	5	.6331	.0816	.0634	.0101	.7882	.0572	.8454
23	52-P-1444	Red, deck	I	2,730	5	1.8428	.0721	.0608	.0100	1.9857	.0669	2.0526
			II	2,845	5	1.8428	.0800	.0663	.0107	1.9998	.0674	2.0672
				5,575	5	1.8428	.0762	.0636	.0103	1.9929	.0672	2.0601
25	52-V-2600	Green shellac varnish	III	1,794	1	3.1127	.1009	.0780	.0141	3.3057	.1031	3.4088
			VI	198	1	3.1127	.1467	.1127	.0173	3.3894	.0856	3.4750
				1,992	1	3.1127	.1054	.0815	.0144	3.3140	.1014	3.4154
27	52-P-3500	White, fire-retardant, interior	IV	1,188	1	2.0944	.1256	.0921	.0145	2.3266	.0734	2.4000
			V	4,812	1	2.0944	.1255	.0934	.0146	2.3279	.0731	2.4010
				6,000	1	2.0944	.1256	.0931	.0146	2.3277	.0731	2.4008
27	52-P-3505	do	IV	104,213	5	2.0293	.0837	.0675	.0109	2.1914	.0663	2.2577
			V	78,257	5	2.0293	.0837	.0688	.0109	2.1927	.0661	2.2588
				182,470	5	2.0293	.0837	.0681	.0109	2.1920	.0662	2.2582
27A	(2)	White, interior	V	195	5	1.9565	.0830	.0673	.0108	2.1176	.0653	2.1829
27L	52-P-3245	Light gray, fire-retardant, interior	V	385	5	2.1436	.0840	.0682	.0109	2.3067	.0666	2.3733

See footnotes at end of table.

Summary of unit costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive—Continued

Formula No.	Stock No.	Name of mixture	Type of manufacture [1]	Quantity	Container size	Costs payable from current naval appropriations					Constructive costs	Total costs
						Direct materials	Direct labor	Manufacturing expenses	General and administrative expenses	Total		
Class B—Con.				*Gallon units*	*Gallons*							
29A	(2)	White, flat, interior	IV	440	5	$1.6495	$0.0916	$0.0753	$0.0117	$1.8281	$0.0660	$1.8941
			V	905	5	1.6495	.1044	.0864	.0130	1.8533	.0682	1.9215
30	52-E-6401	White, general, semigloss enamel	V	1,345		1.6495	.1003	.0828	.0125	1.8451	.0674	1.9125
30	52-E-6406	do	V	500	1	2.0370	.1141	.0836	.0134	2.2481	.0701	2.3182
30L	52-E-5400-300	Light gray machinery enamel	V	41,165	5	1.9719	.0722	.0590	.0098	2.1129	.0631	2.1760
31	52-P-3372	Light green, fire-retardant, interior	V	10,368	1	1.9570	.1143	.0838	.0134	2.1685	.0698	2.2383
			IV	24,855	5	2.0227	.0837	.0675	.0109	2.1848	.0662	2.2510
			V	6,660	5	2.0227	.0837	.0688	.0109	2.1861	.0660	2.2521
			VI	3,580	5	2.0227	.0922	.0770	.0119	2.2038	.0689	2.2727
37	52-E-5400-310	Medium gray machinery enamel	V	35,095	5	2.0227	.0846	.0687	.0110	2.1870	.0664	2.2534
39	52-P-7845	Green striping paint	I	7,844	1	1.8888	.1142	.0837	.0134	2.1001	.0693	2.1694
39	52-P-7850	do	I	1,500	¼	2.3004	.1588	.1159	.0178	2.5929	.0821	2.6750
			III	4,656	1	2.2042	.1375	.1035	.0160	2.4612	.0782	2.5394
40	52-P-7880	Red striping paint		2,482	1	2.2042	.0999	.0770	.0136	2.3947	.0960	2.4907
40	52-P-7885	do	IV	7,138	1	2.2042	.1244	.0943	.0152	2.4381	.0844	2.5225
40	52-P-7890	do	IV	500	⅛	2.7075	.2095	.1461	.0224	3.0855	.0918	3.1773
			IV	50	¼	2.5995	.1675	.1214	.0186	2.9070	.0846	2.9916
			V	215	1	2.4613	.1460	.1089	.0167	2.7329	.0803	2.8132
41	52-P-7836	Brown striping paint		5,808	1	2.4613	.1461	.1110	.0169	2.7353	.0801	2.8154
42	52-P-7930	Yellow striping paint	III	6,023	1	2.4613	.1462	.1109	.0169	2.7353	.0800	2.8153
46	52-P-5083-5	Gray, No. 46, exterior camouflage	V	100	1	1.5571	.1277	.1066	.0181	1.8095	.1279	1.9374
61	52-C-980	Linoleum cement	VI	4,763	1	2.8855	.1462	.1111	.0170	3.1598	.0828	3.2426
62	52-C-1650	Smoothing cement	III	2,320	5	1.7178	.0802	.0667	.0106	1.8753	.0641	1.9394
64	52-C-3154	Oil and water stop compound	VI	460	1	1.8567	.1090	.0866	.0151	2.0674	.1055	2.1729
			IX	428	1	1.5201	.1497	.1151	.0171	1.8020	.0777	1.8797
84	52-P-20635-2	High alkyd zinc chromate primer		20	1	1.1980	.1155	.1330	.0170	1.4635	.0900	1.5535
			I	46,425	5	2.0161	.0638	.0519	.0089	2.1407	.0625	2.2032
			II	5,055	5	2.0161	.0718	.0573	.0096	2.1548	.0628	2.2176
			V	625	5	2.0161	.0920	.0759	.0118	2.1958	.0678	2.2636

			VI	40,735	5	2.0161	.0921	.0770	.0119	2.1971	.0689	2.2660
				92,840	5	2.0161	.0769	.0633	.0103	2.1666	.0653	2.2319
84B	(2)	Chocolate brown metal primer	VI	895	5	2.0839	.0920	.0771	.0119	2.2649	.0693	2.3342
84E	(2)	Blue primer	VI	195	5	1.9459	.0922	.0774	.0119	2.1274	.0685	2.1959
102	52-P-9224-500	Zinc dust paint, water resisting	V	22,800	5	3.1355	.0883	.0747	.0121	3.3106	.0782	3.3888
104	52-P-5070	Dull black, exterior camouflage	I	300	1	1.1909	.1058	.0765	.0123	1.3855	.0638	1.4493
104	52-P-5075	do	I	8,720	5	1.1258	.0640	.0519	.0086	1.2503	.0567	1.3070
105	52-P-6578	Red cold plastic antifouling	I	29,480	5	2.9757	.0747	.0613	.0105	3.1222	.0732	3.1954
			II	27,025	5	2.9757	.0749	.0602	.0103	3.1211	.0719	3.1930
				56,505		2.9757	.0748	.0608	.0104	3.1217	.0726	3.1943
109	52-P-5086-5	Gray, No. 11, exterior camouflage	V	5,020	5	1.4680	.0731	.0598	.0097	1.6106	.0601	1.6707
111	52-E-4034-55	Light gray equipment enamel, type I	V	22,798	1	1.6054	.1343	.1009	.0154	1.8560	.0720	1.9280
111	52-E-4034-66	do	V	4,265	5	1.5403	.0924	.0764	.0117	1.7208	.0649	1.7857
111-III	52-E-4034-275	Light gray equipment enamel, type III	V	940	5	2.8372	.0928	.0769	.0121	3.0190	.0733	3.0923
113	52-R-442	White vinylidene resin solution	III	6,180	5	1.9926	.0676	.0597	.0107	2.1306	.0875	2.2181
	52-R-441-625	Orange vinylidene resin solution	III	3,910	5	2.1339	.0588	.0502	.0093	2.2522	.0769	2.3291
114	52-P-20524-160	Gray primer undercoat for wood decks	V	1,255	5	2.2994	.1091	.0911	.0138	2.5134	.0749	2.5883
116	52-P-20488-110	Maintenance exterior primer	I	67,650	5	2.1719	.0639	.0519	.0089	2.2966	.0634	2.3600
			II	26,665	5	2.1719	.0719	.0573	.0096	2.3107	.0638	2.3745
			V	1,220	5	2.1719	.0925	.0764	.0119	2.3527	.0690	2.4217
			VI	48,895	5	2.1719	.1042	.0874	.0132	2.3767	.0727	2.4494
				144,430		2.1719	.0792	.0651	.0106	2.3268	.0667	2.3935
117	52-P-20549-150	Zinc chromate metal conditioner	I	23,295	(3)	2.1039	.0596	.0453	.0079	2.2167	.0541	2.2708
			II	1,360	(3)	2.1039	.0638	.0481	.0083	2.2241	.0541	2.2782
				24,655		2.1039	.0597	.0455	.0080	2.2171	.0541	2.2712
129	(2)	Liquid wood filler and sealer	V	220	5	.9477	.0917	.0733	.0113	1.1240	.0603	1.1843
145	52-P-6581	Cold black plastic, antifouling	I	4,350	5	2.4270	.1216	.1020	.0153	2.6659	.0832	2.7491
			II	15,065	5	2.4270	.1418	.1161	.0171	2.7020	.0847	2.7867
				19,415		2.4270	.1373	.1129	.0167	2.6939	.0843	2.7782
146	52-P-556	Black cold plastic antifouling paint	II	11,540	5	4.1278	.1429	.1171	.0178	4.4056	.0961	4.5017
L-228-1	(2)	Copper flake paint	IV	35	5	3.7057	.0964	.0851	.0131	3.9003	.0817	3.9820
269	(2)	Green gray for concrete floors	IV	80	5	2.8854	.1053	.0910	.0138	3.0955	.0780	3.1735
626	(2)	Blue generator paint	VI	325	5	1.3942	.0936	.0790	.0119	1.5787	.0654	1.6441
664	52-E-8300-95	Red ordnance enamel, type I	VI	75	5	2.9120	.1042	.0856	.0133	3.1151	.0769	3.1920
665	52-E-8300-57	Medium blue ordnance enamel, type I	I	370	5	2.9592	.0643	.0513	.0092	3.0840	.0683	3.1523
773	(2)	Vermiculite spray mixture (binder)	IV	435	5	.5514	.0715	.0564	.0091	.6884	.0538	.7422
775B	52-P-4507	White, exterior, for wood surfaces	V	380	5	3.2326	.1054	.0882	.0136	3.4398	.0793	3.5191
781	52-E-5400-320	Dark gray machinery enamel	V	1,134	1	1.7664	.1949	.1531	.0217	2.1361	.0866	2.2227
822	(2)	Cream exterior flat	V	200	5	2.8022	.1051	.0849	.0133	3.0055	.0756	3.0811
828	52-E-8300-70	Ocean gray ordnance enamel, type I	V	715	5	2.5306	.0931	.0771	.0121	2.7129	.0715	2.7844
831G	52-E-5935-105	Light green interior gloss enamel	IV	655	5	2.1687	.0796	.0636	.0105	2.3224	.0661	2.3885

See footnotes at end of table.

Summary of unit costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive—Continued

Formula No.	Stock No.	Name of mixture	Type of manufacture	Quantity	Container size	Costs payable from current naval appropriations					Constructive costs	Total costs
						Direct materials	Direct labor	Manufacturing expenses	General and administrative expenses	Total		
Class B—Con.				*Gallon units*	*Gallons*							
831S	52-E-6021-225	Light green interior semigloss enamel	IV	1,775	5	$1.8543	$.0922	$0.0743	$0.0117	$2.0325	$0.0670	$2.0995
			V	610	5	1.8543	.0921	.0753	.0117	2.0334	.0666	2.1000
832G	52-E-5943-105	Medium green interior gloss enamel	IV	2,385	5	1.8543	.0921	.0746	.0117	2.0327	.0669	2.0996
832S	52-E-6021-245	Medium green interior semigloss enamel	V	1,635	5	2.0112	.0804	.0646	.0105	2.1667	.0653	2.2320
				315	5	1.8380	.0722	.0587	.0096	1.9785	.0622	2.0407
853F	52-P-4560	White ready-mixed flat interior oil paint	I	270	5	1.4283	.0865	.0756	.0118	1.6022	.0733	1.6755
			V	1,700	5	1.4283	.1115	.0975	.0144	1.6517	.0780	1.7297
853S	52-E-6021-515	White interior semigloss enamel	IV	1,970	5	1.4283	.1081	.0945	.0140	1.6449	.0774	1.7223
			V	290	5	1.8442	.0725	.0577	.0096	1.9840	.0624	2.0464
872	52-E-8300-75	Slate gray ordnance enamel		1,145	5	1.8442	.0723	.0589	.0097	1.9851	.0623	2.0474
883	52-P-4672	White 1-coat flat	V	1,435	5	1.8442	.0723	.0587	.0097	1.9849	.0623	2.0472
896	52-E-6022-255	White alkyd resin exterior gloss enamel	IV	310	1	2.4137	.1342	.0995	.0155	2.6629	.0768	2.7397
			V	580	5	1.4601	.1032	.0831	.0127	1.6561	.0703	1.7264
897	52-E-6022-25	Black No. 101 alkyd resin exterior gloss enamel	IV	1,095	5	2.2348	.0804	.0659	.0106	2.3917	.0666	2.4583
907	52-E-8400-95	Gray No. 123 alkyd resin exterior gloss enamel	IV	635	5	1.3572	.0719	.0581	.0094	1.4966	.0594	1.5560
908	52-E-53000-500	Gray No. 20 alkyd resin exterior gloss enamel	IV	4,385	5	2.2773	.0926	.0748	.0119	2.4566	.0699	2.5265
911	52-E-53700-85	Green No. 112 alkyd resin exterior gloss enamel	IV	312	1	2.1000	.1158	.0845	.0136	2.3139	.0712	2.3851
			V	10,365	5	2.5969	.0722	.0580	.0099	2.7370	.0673	2.8043
912	52-E-6022-280	Yellow No. 120 alkyd resin exterior gloss enamel	IV	390	5	2.5969	.0923	.0765	.0120	2.7777	.0717	2.8494
				10,755	5	2.5969	.0729	.0587	.0099	2.7384	.0675	2.8059
				1,755	5	2.7222	.0923	.0749	.0120	2.9014	.0727	2.9741

			V	295	5	2.7222	.0918	.0770	.0121	2.9031	.0726	2.9757
916	52-E-6022-173	Orange No. 15 alkyd resin exterior gloss enamel.	I	2,050	5	2.7222	.0922	.0752	.0120	2.9016	.0727	2.9643
				1,550	5	3.0894	.0639	.0518	.0092	3.2143	.0693	3.2836
920	52-E-53725-20	Middlestone No. 920 alkyd resin exterior gloss enamel.	IV	150	5	2.2782	.0931	.0749	.0118	2.4580	.0699	2.5279
924	52-E-6022-36	Blue No. 17 alkyd resin exterior gloss enamel.	V	111	1	2.5270	.1350	.1027	.0158	2.7905	.0783	2.8688
926	(2)	Green gray submarine interior	I	400	5	2.5694	.0719	.0582	.0099	2.7094	.0678	2.7772
929A	(2)	Marine gray preservative	III	3,720	5	1.2949	.0525	.0465	.0087	1.4026	.0761	1.4787
			V	9,020	5	1.2949	.0623	.0506	.0085	1.4163	.0566	1.4729
930	52-P-20480	Synthetic metal and wood primer	VI	12,740	5	1.2949	.0595	.0494	.0085	1.4123	.0623	1.4746
931	52-E-6022-81	Gray No. 19 alkyd resin exterior gloss enamel.	V	106	1	2.0226	.1334	.1032	.0157	2.2749	.0759	2.3508
				104	1	1.9299	.1130	.0835	.0132	2.1396	.0694	2.2090
Class C:												
28B	(2)	Rust inhibitor stock solution	VIII	11,100	55	.1573	.0206	.0213	.0043	.2035	.0431	.2466
28	52-P-100-500	Black acid-resisting paint	VIII	6,040	5	.4415	.0560	.0511	.0084	.5570	.0617	.6187
75	(2)	Pumping compound	X	504	5	1.7034	.0676	.0572	.0100	1.8382	.0748	1.9130
80B	52-V-1680	Phenolic spar varnish without driers	VIII	6,876	1	1.9231	.1023	.0764	.0128	2.1146	.0765	2.1911
113	52-R-442	Clear vinylidene resin solution	X	7,110	5	2.0770	.0514	.0424	.0080	2.1788	.0671	2.2459
262	52-P-20405	Asphalt primer	VIII	2,565	5	.4267	.0560	.0512	.0084	.5423	.0617	.6040
693	(2)	Air test foam	X	85	5	3.0819	.0531	.0440	.0086	3.1876	.0745	3.2621
786	(2)	Corrosive inhibitive metal putty	IV	26	1	1.9696	.1435	.0900	.0154	2.2185	.0719	2.2904
806	(2)	Linseed oil painting pretreatment	X	100	5	1.6606	.0566	.0483	.0087	1.7742	.0683	1.8425
817	52-V-3060	High toughness water resisting spar varnish.	VIII	22,049	1	1.4458	.1056	.0800	.0131	1.6445	.0758	1.7203
899	52-V-1900	Shellac varnish bleached TT-V-91A-I	X	274	1	2.9532	.1179	.0869	.0148	3.1728	.0910	3.2638
No class	52-T-725-5	Thinner spirits		600	5	.2764	.0320	.0248	.0050	.3382	.0433	.3815
	52-X-1400-50	Xylene		153	1	.9590	.0320	.0248	.0052	1.0210	.0478	1.0688
Class F:				*Pound units*								
67	52-P-20730	Slate color linseed oil putty	IX	4,000	½	.1869	.0247	.0283	.0034	.2433	.0142	.2575
69	52-P-20710	Red linseed oil putty	IX	19,750	1	.1812	.0124	.0141	.0017	.2094	.0077	.2171
158	(2)	White linseed oil putty for wood boat bottoms.	IX	8,300	5	.1237	.0101	.0115	.0014	.1467	.0067	.1534
Class G:												
15HP	52-P-6550	Hot plastic shipbottom antifouling	VII	1,047,660	55	.1988	.0061	.0061	.0010	.2121	.0071	.2192
90	52-P-5340	Black plastic composition	VII	17,481	55	.1206	.0102	.0109	.0015	.1432	.0095	.1527
182	(2)	Titanium oxide paste pigment	IV	2,148	1	.2238	.0121	.0105	.0014	.2478	.0060	.2538
203	(2)	Zinc exode paste pigment	IV	1,446	1	.1726	.0095	.0079	.0011	.1911	.0050	.1961
328	(2)	Ultramarine blue paste pigment	IV	233	⅛	.1917	.0270	.0241	.0031	.2459	.0115	.2574
827	(2)	Red lead paste	IV	1,600	1	.1833	.0124	.0141	.0017	.2115	.0077	.2192
	(2)	Yellow iron oxide in oil	IV	240	1	.1630	.0169	.0140	.0019	.1958	.0072	.2030

See footnotes at end of table.

Summary of unit costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive—Continued

Formula No.	Stock No.	Name of mixture	Type of manufacture [1]	Quantity	Container size	Costs payable from current naval appropriations					Constructive costs	Total costs
						Direct materials	Direct labor	Manufacturing expenses	General and administrative expenses	Total		
		Canned or recanned only		*Gallon units*	*Gallons*							
Class B:												
5N	52-P-963	Navy gray No. 7 exterior comouflage		11,535	5	$0.1419	$0.0820	$0.0481	$0.0072	$0.2792	$0.0139	$0.2931
5NG	52-P-5213-60	Navy green exterior camouflage		545	5	.1419	.0820	.0481	.0072	.2792	.0139	.2931
14	52-P-6510	Anticorrosive, ship bottom		2,055	5	.1419	.0820	.0481	.0072	.2792	.0139	.2931
24	52-P-1381	Glossy black exterior deck		1,000	1	.2070	.0574	.0337	.0051	.3032	.0104	.3136
27L	52-P-3245	Light gray fire-retardant interior		920	5	.1419	.0820	.0481	.0072	.2792	.0138	.2930
No class	52-C-3257-30	Rust preventive compound		5,288	1	.2621	.0718	.0421	.0063	.3823	.0130	.3953
	52-C-3257-38	do		11,455	5	.1419	.0448	.0263	.0040	.2170	.0080	.2250
Class G:												
331		Chrome yellow paste pigment		40	½	.0258	.0448	.0262	.0040	.1008	.0072	.1080
360	52-P-18365	Raw sienna paste pigment		156	1/16	.0449	.0920	.0539	.0080	.1988	.0149	.2137
361	52-P-18299	Burnt sienna paste pigment		188	1/16	.0447	.0763	.0448	.0066	.1724	.0124	.1848

[1] Type of manufacture:
I = Steel ball mills.
II = Pebble mills.
III = Special pebble mill.
IV = 5-roller mills.
V = 3-roller mills.
VI = Hyspeed mills.
VII = Hot plastic paint mill.
VIII = Cooking.
IX = Putty mill.
X = Mixing only.

[2] Nonstandard, manufactured for auxiliary job orders.

[3] Formula 117 is packaged as follows: 4 gallons of base paint to a 5-gallon container; 1 gallon of diluent to a 1-gallon container.

EXHIBIT C

Summary of total costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive

Formula No.	Stock No.	Name of mixture	Type of manufacture[1]	Quantity	Container size	Costs payable from current naval appropriations					Constructive costs	Total costs	Average unit cost based on	
						Direct materials	Direct labor	Manufacturing expenses	General and administrative expenses	Total			Current naval appropriation costs	Total costs
				Gallon units	*Gallons*									
Class B:														
3	52-P-560	Black boot topping	VI	1,233	1	$2,201.40	$175.18	$136.00	$20.46	$2,533.04	$98.06	$2,631.10	$2.0544	$2.1339
3	52-P-565	do	I	15,490	5	26,647.45	1,104.41	930.75	152.82	28,835.43	1,021.27	29,856.70	1.8616	1.9275
			II	2,610	5	4,489.98	206.94	171.22	27.57	4,895.71	173.19	5,068.90	1.8758	1.9421
				18,100	5	31,137.43	1,311.35	1,101.97	180.39	33,731.14	1,194.46	34,925.60	1.8636	1.9296
5H	52-P-961	Haze gray, No. 27, exterior camouflage.	I	17,275	5	29,913.39	1,110.21	901.58	153.02	32,078.20	1,048.55	33,126.75	1.8569	1.9176
			II	22,385	5	38,761.87	1,616.87	1,289.88	213.73	41,882.35	1,367.77	43,250.12	1.8710	1.9321
			IV	158,885	5	275,125.27	9,938.35	7,951.58	1,367.86	294,383.06	9,467.39	303,850.45	1.8528	1.9124
			V	34,665	5	60,025.91	2,516.08	2,056.88	335.58	64,934.45	2,138.72	67,073.17	1.8732	1.9349
			VI	63,735	5	110,363.53	5,131.74	4,259.46	674.26	120,428.99	4,093.91	124,522.90	1.8895	1.9538
				296,945	5	514,189.97	20,313.25	16,459.38	2,744.45	553,707.05	18,116.34	571,823.39	1.8647	1.9257
5N	52-P-963	Navy gray, No. 7, exterior camouflage.	II	6,915	5	11,610.29	504.81	402.84	66.45	12,584.39	421.41	13,005.80	1.8199	1.8808
			VI	1,260	5	2,115.54	132.89	111.20	16.60	2,376.23	87.92	2,464.15	1.8859	1.9557
				8,175	5	13,725.83	637.70	514.04	83.05	14,960.62	509.33	15,469.95	1.8300	1.8923
5NB	52-P-950	Navy blue, exterior camouflage.	V	2,475	5	4,058.75	180.14	146.73	23.91	4,409.53	151.23	4,560.76	1.7816	1.8427
			VI	2,190	5	3,591.38	229.28	192.28	28.68	4,041.62	152.01	4,193.63	1.8455	1.9149
				4,665	5	7,650.13	409.42	339.01	52.59	8,451.15	303.24	8,754.39	1.8116	1.8766
6	52-P-5300	White glossy exterior camouflage.	IV	56	1	111.45	6.37	4.65	.75	123.22	3.94	127.16	2.2004	2.2707
			V	998	1	1,986.12	113.88	83.65	13.37	2,197.02	69.81	2,266.83	2.2014	2.2714
				1,054	1	2,097.57	120.25	88.30	14.12	2,320.24	73.75	2,393.99	2.2014	2.2714

See footnote at end of table.

Summary of total costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive—Continued

Formula No.	Stock No.	Name of mixture	Type of manufacture [1]	Quantity	Container size	Costs payable from current naval appropriations					Constructive costs	Total costs	Average unit cost based on	
						Direct materials	Direct labor	Manufacturing expenses	General and administrative expenses	Total			Current naval appropriation costs	Total costs
Class B—Con.				*Gallon units*	*Gallons*									
6	52-P-5305	White glossy exterior camouflage.	IV	510	5	$981.75	$36.70	$29.80	$4.93	$1,053.18	$32.18	$1,085.36	$2.0651	$2.1282
			V	205	5	394.63	14.81	12.15	1.99	423.58	12.89	436.47	2.0962	2.1291
7	52-P-5255	Spar color, exterior oil paint.	IV	715	5	1,376.38	51.51	41.95	6.92	1,476.76	45.07	1,521.83	2.0654	2.1284
				120	5	193.64	9.27	7.21	1.19	211.31	7.39	218.70	1.7609	1.8225
13	52-P-4955	Dull black, exterior camouflage.	II	5,240	5	9,188.86	444.28	374.87	59.43	10,067.44	369.50	10,436.94	1.9213	1.9918
14	52-P-6510	Anticorrosive, shipbottom.	II	66,440	5	111,499.61	6,258.07	5,430.12	842.71	124,030.51	5,165.92	129,196.43	1.8668	1.9446
14D	52-P-6540	Anticorrosive, submarine.	I	19,040	5	32,347.06	1,451.34	1,286.19	207.99	35,292.58	1,422.17	36,714.75	1.8536	1.9283
19	52-P-3298	Dark green, deck	I	1,004	1	1,759.91	109.35	79.80	12.94	1,962.00	69.65	2,031.65	1.9542	2.0236
19	52-P-3299	do	II	10,210	5	17,232.44	767.26	621.29	101.53	18,722.52	642.07	19,364.59	1.8337	1.8966
20	52-P-1406-50	Dark gray, exterior, deck, type A.	I	51,690	5	79,809.36	3,668.20	3,078.03	503.43	87,059.02	3,322.35	90,381.37	1.6843	1.7485
			II	4,065	5	6,276.36	320.74	264.03	42.38	6,903.51	262.89	7,166.40	1.6983	1.7630
			VI	15,005	5	23,167.72	1,670.05	1,426.34	210.00	26,474.11	1,103.50	27,577.61	1.7644	1.8379
20B	52-P-1408-50	Dark gray, exterior, deck, type B.	I	70,760	5	109,253.44	5,658.99	4,768.40	755.81	120,436.64	4,688.74	125,125.38	1.7020	1.7683
				8,320	5	11,582.27	581.19	485.50	79.36	12,728.32	520.56	13,248.88	1.5298	1.5924
20L	52-P-1407	Light gray, interior, deck.	I	6,324	1	9,621.97	713.82	532.37	84.70	10,952.86	447.88	11,400.74	1.7320	1.8028
			VI	2,676	1	4,071.53	409.92	320.26	47.23	4,848.94	214.32	5,063.26	1.8120	1.8921
				9,000	1	13,693.50	1,123.74	852.63	131.93	15,801.80	662.20	16,464.00	1.7558	1.8293
20L	52-P-1408	do	I	22,771	5	33,163.68	1,616.96	1,357.81	221.36	36,359.81	1,452.40	37,812.21	1.5968	1.6605
			II	1,200	5	1,747.68	94.78	77.87	12.48	1,932.81	76.96	2,009.77	1.6107	1.6748
			VI	21,349	5	31,092.68	2,376.71	2,030.88	298.35	35,798.62	1,559.46	37,358.08	1.6768	1.7499
				45,320	5	66,004.04	4,088.45	3,466.56	532.19	74,091.24	3,088.82	77,180.06	1.6348	1.7030

21	52-S-1730	Flight deck stain	V	14,940	5	9,458.51	1,218.90	945.84	150.81	11,774.06	851.46	12,625.52	.7881	.8451
			VI	9,060	5	5,735.89	738.57	576.79	91.79	7,143.04	520.48	7,663.52	.7884	.8459
				24,000	5	15,194.40	1,957.47	1,522.63	242.60	18,917.10	1,317.94	20,289.04	.7882	.8454
23	52-P-1444	Red, deck	I	2,730	5	5,030.84	196.80	166.01	27.28	5,420.93	182.75	5,603.68	1.9857	2.0526
			II	2,845	5	5,242.77	227.91	188.49	30.40	5,689.57	191.59	5,881.16	1.9998	2.0672
				5,575	5	10,273.61	424.71	354.50	57.68	11,110.50	374.34	11,484.84	1.9929	2.0601
25	52-V-2600	Green shellac varnish	III	1,794	1	5,584.18	181.01	139.97	25.30	5,930.46	184.96	6,115.42	3.3057	3.4088
			VI	198	1	616.31	29.06	22.32	3.42	671.11	16.94	688.05	3.3894	3.4750
				1,992	1	6,200.49	210.07	162.29	28.72	6,601.57	201.90	6,803.47	3.3140	3.4154
27	52-P-3500	White, fire-retardant, interior.	IV	1,188	1	2,488.15	149.15	109.40	17.28	2,763.98	87.09	2,851.07	2.3266	2.4000
			V	4,812	1	10,078.25	604.18	449.24	70.26	11,201.93	351.80	11,553.73	2.3279	2.4010
				6,000	1	12,566.40	753.33	558.64	87.54	13,965.91	438.89	14,404.80	2.3277	2.4008
27	52-P-3505	do	IV	104,213	5	211,479.44	8,721.50	7,038.13	1,133.31	228,372.38	6,906.32	235,278.70	2.1914	2.2577
			V	78,257	5	158,806.93	6,549.87	5,384.80	855.25	171,596.85	5,170.42	176,767.27	2.1927	2.2588
				182,470	5	370,286.37	15,271.37	12,422.93	1,988.56	399,969.23	12,076.74	412,045.97	2.1920	2.2582
27A	(2)	White, interior	V	195	5	381.52	16.19	13.13	2.10	412.94	12.72	425.66	2.1176	2.1829
27L	52-P-3245	Light gray, fire-retardant, interior.	V	385	5	825.29	32.34	26.24	4.21	888.08	25.65	913.73	2.3067	2.3733
29A	(2)	White, flat, interior	IV	440	5	725.78	40.32	33.15	5.13	804.38	29.03	833.41	1.8281	1.8941
			V	905	5	1,492.80	94.54	78.16	11.72	1,677.22	61.73	1,738.95	1.8533	1.9215
30	52-E-6401	White, general, semi-gloss enamel.	V	1,345	5	2,218.58	134.86	111.31	16.85	2,481.60	90.76	2,572.36	1.8451	1.9125
				500	1	1,018.50	57.04	41.79	6.70	1,124.03	35.09	1,159.12	2.2481	2.3182
30	52-E-6406	do	V	41,165	5	81,173.26	2,972.89	2,430.12	400.14	86,976.41	2,599.71	89,576.12	2.1129	2.1760
30L	52-E-5400-300	Light gray machinery enamel.	V	10,368	1	20,290.18	1,185.15	869.03	138.86	22,483.22	723.10	23,206.32	2.1685	2.2383
31	52-P-3372	Light green, fire-retardant, interior.	IV	24,855	5	50,274.21	2,079.93	1,678.21	270.21	54,302.56	1,646.01	55,948.57	2.1848	2.2510
			V	6,660	5	13,471.18	557.36	457.88	72.74	14,559.16	439.65	14,998.81	2.1861	2.2521
			VI	3,580	5	7,241.27	329.81	275.81	42.62	7,889.50	246.67	8,136.17	2.2038	2.2727
				35,095	5	70,986.66	2,967.10	2,411.90	385.56	76,751.22	2,332.33	79,083.55	2.1870	2.2534
37	52-E-5400-310	Medium gray machinery enamel.	V	7,844	1	14,815.75	896.50	656.43	104.81	16,473.49	543.36	17,016.85	2.1001	2.1694
39	52-P-7845	Green striping paint	I	1,500	¼	3,450.60	238.11	173.84	26.75	3,889.30	123.21	4,012.51	2.5929	2.6750

See footnote at end of table.

Summary of total costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive—Continued

Formula No.	Stock No.	Name of mixture	Type of manufacture[1]	Quantity	Container size	Costs payable from current naval appropriations					Constructive costs	Total costs	Average unit cost based on	
						Direct materials	Direct labor	Manufacturing expenses	General and administrative expenses	Total			Current naval appropriation costs	Total costs
Class B—Con.				*Gallon units*	*Gallons*									
39	52-P-7850	Green striping paint	I	4,656	1	$10,262.76	$640.58	$481.79	$74.31	$11,459.44	$363.99	$11,823.43	$2.4612	$2.5394
			III	2,482	1	5,470.82	247.98	191.04	33.86	5,943.70	238.27	6,181.97	2.3947	2.4907
				7,138	1	15,733.58	888.56	672.83	108.17	17,403.14	602.26	18,005.40	2.4381	2.5225
40	52-P-7880	Red striping paint	IV	500	⅛	1,353.75	104.74	73.05	11.19	1,542.73	45.94	1,588.67	3.0855	3.1773
40	52-P-7885	do	IV	50	¼	129.98	8.37	6.07	.93	145.35	4.23	149.58	2.9070	2.9916
40	52-P-7890	do	IV	215	1	529.18	31.39	23.41	3.60	587.58	17.26	604.84	2.7329	2.8132
			V	5,808	1	14,295.23	849.10	644.61	97.93	15,886.87	464.96	16,351.83	2.7353	2.8154
				6,023	1	14,824.41	880.49	668.02	101.53	16,474.45	482.22	16,956.67	2.7353	2.8153
41	52-P-7836	Brown striping paint	III	100	1	155.71	12.77	10.66	1.81	180.95	12.79	193.74	1.8095	1.9374
42	52-P-7930	Yellow striping	V	4,763	1	13,743.64	696.39	529.03	80.99	15,050.05	394.36	15,444.41	3.1598	3.2426
46	52-P-5063-5	Gray, No. 46, exterior camouflage.	VI	2,320	5	3,985.30	186.11	154.79	24.48	4,350.68	148.75	4,499.43	1.8753	1.9394
61	52-C-980	Linoleum cement	III	460	1	854.08	50.14	39.84	6.93	950.99	48.53	999.52	2.0674	2.1729
62	52-C-1650	Smoothing cement	VI	428	1	650.60	64.04	49.27	7.33	771.24	33.28	804.52	1.8020	1.8797
64	52-C-3154	Oil and water stop compound.	IX	20	1	23.96	2.31	2.66	.34	29.27	1.80	31.07	1.4635	1.5535
84	52-P-20635-2	High alkyd zinc chromate primer.	I	46,425	5	93,597.44	2,965.55	2,407.45	413.57	99,384.01	2,898.34	102,282.35	2.1407	2.2032
			II	5,055	5	10,191.39	363.03	289.41	48.50	10,892.33	317.57	11,209.90	2.1548	2.2176
			V	625	5	1,260.06	57.48	47.46	7.37	1,372.37	42.40	1,414.77	2.1958	2.2636
			VI	40,735	5	82,125.83	3,754.45	3,134.96	484.68	89,499.92	2,804.13	92,304.05	2.1971	2.2660
				92,840	5	187,174.72	7,140.51	5,879.28	954.12	201,148.63	6,062.44	207,211.07	2.1666	2.2319
84B	(2)	Chocolate brown metal primer.	VI	895	5	1,865.09	82.35	68.97	10.67	2,027.08	62.02	2,089.10	2.2649	2.3342
84E	(2)	Blue primer	VI	195	5	379.45	17.98	15.10	2.32	414.85	13.36	428.21	2.1274	2.1959
102	52-P-9224-500	Zinc dust paint, water resisting.	V	22,500	5	71,489.40	2,013.00	1,703.71	275.00	75,481.11	1,783.19	77,264.30	3.3106	3.3888
104	52-P-5070	Dull black, exterior camouflage.	I	300	1	357.27	31.73	22.95	3.69	415.64	19.14	434.78	1.3855	1.4493
104	52-P-5075	do	I	8,720	5	9,816.98	557.15	452.91	75.24	10,902.28	494.83	11,397.11	1.2503	1.3070

105	52-P-6578	Red cold plastic antifouling.	I	29,480	5	87,723.64	2,203.86	1,807.41	308.45	92,043.36	2,157.801	94,201.16	3.1222	3.1954
			II	27,025	5	80,418.29	2,020.56	1,628.17	279.64	84,346.66	1,944.08	86,290.74	3.1211	3.1930
				56,505	5	168,141.93	4,224.42	3,435.58	588.09	176,390.02	4,101.88	80,491.90	3.1217	3.1943
109	52-P-5086-5	Gray, No. 11, exterior camouflage.	V	5,020	5	7,369.36	367.03	300.30	48.46	8,085.15	301.90	8,387.05	1.6106	1.6707
111	52-E-4034-55	Light gray equipment enamel, type I.	V	22,798	1	36,599.91	3,063.38	2,300.46	350.20	42,313.95	1,640.16	43,954.11	1.8560	1.9280
111	52-E-4034-66	do	V	4,265	5	6,569.38	394.54	325.64	49.85	7,339.41	276.82	7,616.23	1.7208	1.7857
111-III	52-E-4034-275	Light gray equipment enamel, type III.	V	940	5	2,666.97	87.10	72.33	11.42	2,837.82	68.96	2,906.78	3.0190	3.0923
113	52-R-442	White vinylidene resin solution.	III	6,180	5	12,314.27	418.02	368.73	66.38	13,167.40	540.82	13,708.22	2.1306	2.2182
113	52-R-441-625	Orange vinylidene resin solution.	III	3,910	5	8,343.55	229.73	196.30	36.33	8,805.91	300.65	9,106.56	2.2522	2.3290
114	52-P-20524-160	Gray primer undercoat for wood decks.	V	1,255	5	2,885.75	137.08	114.27	17.27	3,154.37	93.98	3,248.35	2.5134	2.5883
116	52-P-20488-110	Maintenance exterior primer.	I	67,650	5	146,929.04	4,321.27	3,508.86	606.07	155,365.24	4,291.20	159,656.44	2.2966	2.3600
			II	26,665	5	57,913.71	1,915.65	1,527.99	257.29	61,614.64	1,702.18	63,316.82	2.3107	2.3745
			V	1,220	5	2,649.72	112.93	93.17	14.51	2,870.33	84.13	2,954.46	2.3527	2.4217
			VI	48,895	5	106,195.05	5,094.48	4,272.83	646.10	116,208.46	3,554.72	119,763.18	2.3767	2.4494
				144,430	5	313,687.52	11,444.33	9,402.85	1,523.97	336,058.67	9,632.23	345,690.90	2.3268	2.3935
117	52-P-20649-150	Zinc chromate metal conditioner.	I	23,295	(3)	49,010.35	1,387.17	1,055.70	185.09	51,638.31	1,258.94	52,897.25	2.2167	2.2708
			II	1,360	(3)	2,861.30	86.78	65.46	11.29	3,024.83	73.58	3,098.41	2.2241	2.2782
				24,655	(3)	51,871.65	1,473.95	1,121.16	196.38	54,663.14	1,332.52	55,995.66	2.2171	2.2712
129	(3)	Liquid wood filler and sealer.	V	220	5	208.49	20.17	16.13	2.48	247.27	13.27	260.54	1.1240	1.1843
145	52-P-6581	Cold black plastic, antifouling.	I	4,350	5	10,557.45	528.65	443.67	66.73	11,596.50	362.22	11,958.72	2.6659	2.7491
			II	15,065	5	36,562.76	2,135.52	1,748.94	258.01	40,705.23	1,275.69	41,980.92	2.7039	2.7867
				19,415	5	47,120.21	2,664.17	2,192.61	324.74	52,301.73	1,637.91	53,939.64	2.6939	2.7782
146	52-P-146	Black cold plastic antifouling paint.	II	11,340	5	47,634.81	1,649.20	1,351.56	205.49	50,841.06	1,108.95	51,950.01	4.4059	4.5017
L-228-1	(3)	Copper flake paint	IV	35	5	129.70	3.37	2.98	.46	136.51	2.86	139.37	3.9003	3.9820
209	(3)	Green gray for concrete floors.	IV	80	5	230.83	8.43	7.28	1.10	247.64	6.24	253.88	3.0955	3.1735
626	(3)	Blue generator paint	VI	325	5	453.12	30.40	25.68	3.87	513.07	21.27	534.34	1.5787	1.6441
664	52-E-8300-95	Red ordnance enamel, type I.	VI	75	5	218.40	7.81	6.42	1.00	233.63	5.77	239.40	3.1151	3.1920
665	52-E-8300-57	Medium blue ordnance enamel, type I.	I	370	5	1,094.90	23.81	18.97	3.40	1,141.08	25.28	1,166.36	3.0840	3.1523

See footnote at end of table.

Summary of total costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive—Continued

Formula No.	Stock No.	Name of mixture	Type of manufacture [1]	Quantity	Container size	Costs payable from current naval appropriations					Constructive costs	Total costs	Average unit cost based on	
						Direct materials	Direct labor	Manufacturing expenses	General and administrative expenses	Total			Current naval appropriation costs	Total costs
				Gallon units	*Gallons*									
Class B—Con.														
773	(3)	Vermiculite spray mixture (binder).	IV	435	5	$239.86	$31.11	$24.55	$3.95	$299.47	$23.39	$322.86	$0.6884	$0.7422
775B	52-P-4507	White, exterior, for wood surfaces.	V	380	5	1,228.39	40.07	33.50	5.18	1,307.14	30.11	1,337.25	3.4398	3.5191
781	52-E-5400-320	Dark gray machinery enamel.	V	1,134	1	2,003.10	221.03	173.57	24.64	2,422.34	98.17	2,520.51	2.1361	2.2227
822	(3)	Cream exterior flat	V	200	5	560.44	21.02	16.97	2.66	601.09	15.12	616.21	3.0055	3.0811
828	52-E-8300-70	Ocean gray ordnance enamel, type I.	V	715	5	1,809.38	66.60	55.13	8.64	1,939.75	51.10	1,990.85	2.7129	2.7844
831G	52-E-5935-105	Light green interior gloss enamel.	IV	655	5	1,420.50	52.19	41.65	6.86	1,521.20	43.30	1,564.50	2.3224	2.3885
831S	52-E-6021-225	Light green interior semigloss enamel.	IV	1,775	5	3,291.38	163.58	131.94	20.72	3,607.62	118.93	3,726.55	2.0325	2.0995
			V	610	5	1,131.12	56.15	45.95	7.14	1,240.36	40.65	1,281.01	2.0334	2.1000
				2,385	5	4,422.50	219.73	177.89	27.86	4,847.98	159.58	5,007.56	2.0327	2.0996
832G	52-E-5943-105	Medium green interior gloss enamel.	IV	1,635	5	3,288.31	131.51	105.54	17.19	3,542.55	106.82	3,649.37	2.1667	2.2320
832S	52-E-6021-245	Medium green interior semigloss enamel.	V	315	5	578.97	22.75	18.48	3.04	623.24	19.60	642.84	1.9785	2.0408
853F	52-P-4560	White ready-mixed flat	I	270	5	385.64	23.37	20.40	3.18	432.59	19.80	452.39	1.6022	1.6755
			V	1,700	5	2,428.11	189.62	165.69	24.40	2,807.82	132.70	2,940.52	1.6517	1.7297
				1,970	5	2,813.75	212.99	186.09	27.58	3,240.41	152.50	3,392.91	1.6449	1.7223
853S	52-E-6021-515	White interior semigloss enamel.	IV	290	5	534.82	21.04	16.72	2.79	575.37	18.08	593.45	1.9840	2.0464
			V	1,145	5	2,111.61	82.78	67.48	11.08	2,272.95	71.35	2,344.30	1.9851	2.0474
				1,435	5	2,646.43	103.82	84.20	13.87	2,848.32	89.43	2,937.75	1.9849	2.0472
872	52-E-8300-75	Slate gray ordnance enamel.	V	310	1	748.25	41.60	30.85	4.81	825.51	23.81	849.32	2.6629	2.7397
883	52-P-4672	White 1-coat flat	IV	580	5	846.86	58.13	48.19	7.36	960.54	40.80	1,001.34	1.6561	1.7264

896	52-E-6022-255	White alkyd resin exterior gloss enamel.	V	1,095	5	2,447.09	87.96	72.18	11.66	2,618.89	72.97	2,691.86	2.3917	2.4583
897	52-E-6022-25	Black No. 1 alkyd resin exterior gloss enamel.	IV	635	5	861.82	45.64	36.90	6.01	950.37	37.71	988.08	1.4966	1.5560
907	52-E-8400-95	Gray No. 123 alkyd resin exterior gloss enamel.	IV	4,385	5	9,935.96	405.05	328.25	52.03	10,772.29	306.33	11,078.62	2.4566	2.5265
908	52-E-53000-500	Gray No. 20 alkyd resin exterior gloss enamel.	IV	312	1	655.20	36.14	26.35	4.24	721.93	22.23	744.16	2.3139	2.3851
911	52-E-53700-85	Green No. 112 alkyd resin exterior gloss enamel.	IV	10,365	5	26,916.87	748.34	601.00	102.35	28,368.56	697.58	29,066.14	2.7370	2.8043
			V	390	5	1,012.79	36.00	29.83	4.69	1,083.31	27.96	1,111.27	2.7777	2.8491
				10,755	5	27,929.66	784.34	630.83	107.04	29,451.87	725.54	30,177.41	2.7384	2.8059
912	52-E-6022-280	Yellow No. 120 alkyd resin exterior gloss enamel.	IV	1,755	5	4,777.46	162.02	131.41	21.05	5,091.94	127.62	5,219.56	2.9014	2.9741
			V	295	5	803.05	27.08	22.72	3.56	856.41	21.43	877.84	2.9031	2.9757
				2,050	5	5,580.51	189.10	154.13	24.61	5,948.35	149.05	6,097.40	2.9016	2.9743
916	52-E-6022-173	Orange No. 15 alkyd resin exterior gloss enamel.	I	1,550	5	4,788.57	98.99	80.28	14.33	4,982.17	107.40	5,089.57	3.2143	3.2836
920	52-E-53725-20	Middlestone No. 920 alkyd resin exterior gloss enamel.	IV	150	5	341.73	13.96	11.23	1.78	368.70	10.48	379.18	2.4580	2.5279
924	52-E-6022-36	Blue No. 17 alkyd resin exterior gloss enamel.	V	111	1	281.61	14.98	11.40	1.75	309.74	8.70	318.44	2.7905	2.8688
926	(2)	Green gray submarine interior.	I	400	5	1,027.76	28.75	23.28	3.96	1,083.75	27.14	1,110.89	2.7094	2.7772
929A	(2)	Marine gray preservative.	III	3,720	5	4,817.03	195.26	172.83	32.56	5,217.68	283.21	5,500.89	1.4026	1.4787
			V	9,020	5	11,680.00	562.39	456.16	76.46	12,775.01	510.63	13,285.64	1.4163	1.4729
				12,740	5	16,497.03	757.65	628.99	109.02	17,992.69	793.84	18,786.53	1.4123	1.4746
930	52-P-20480	Synthetic metal and wood primer.	VI	106	1	214.40	14.14	10.94	1.66	241.14	8.05	249.19	2.2749	2.3508
931	52-E-6022-81	Gray No. 19 alkyd resin exterior gloss enamel.	V	104	1	200.71	11.75	8.68	1.38	222.52	7.22	229.74	2.1396	2.2090
Class C:														
28B	(2)	Rust inhibitor stock solution.	VIII	11,100	55	1,746.03	229.19	236.71	47.22	2,259.15	478.53	2,737.68	.2035	.2466
28	52-P-100-500	Black acid-resisting paint.	VIII	6,040	5	2,666.66	337.98	308.61	50.97	3,364.22	372.73	3,736.95	.5570	.6187
75	(2)	Pumping compound	X	504	5	858.51	34.09	28.83	5.03	926.46	37.71	964.17	1.8382	1.9130
80B	52-V-1680	Phenolic spar varnish without driers.	VIII	6,876	1	13,223.24	703.70	525.42	87.74	14,540.10	525.61	15,065.71	2.1146	2.1911

See footnote at end of table.

Summary of total costs of finished products manufactured during the period Jan. 20 to June 19, 1951, inclusive—Continued

Formula No.	Stock No.	Name of mixture	Type of manufacture[1]	Quantity	Container size	Costs payable from current naval appropriations					Constructive costs	Total costs	Average unit cost based on	
						Direct materials	Direct labor	Manufacturing expenses	General and administrative expenses	Total			Current naval appropriation costs	Total costs
Class C—Con.				*Gallon units*	*Gallons*									
113	52–R–442	Clear vinylidene resin solution.	X	7,110	5	$14,767.47	$365.48	$301.47	$57.18	$15,491.60	$476.59	$15,968.19	$52.1788	$2.2459
262	52–P–20405	Asphalt primer	VIII	2,565	5	1,094.49	143.53	131.34	21.65	1,391.01	158.18	1,549.19	.5423	.6040
693	(2)	Air test foam	X	85	5	261.96	4.52	3.74	.73	270.95	6.33	277.28	3.1876	3.2621
786	(2)	Corrosive inhibitive metal putty.	IV	26	1	51.21	3.73	2.34	.40	57.68	1.87	59.55	2.2185	2.2904
806	(2)	Linseed oil painting pretreatment.	X	100	5	166.06	5.66	4.83	.87	177.42	6.83	184.25	1.7742	1.8425
817	52–V–3060	High toughness water resisting spar varnish.	VIII	22,049	1	31,878.44	2,329.57	1,764.05	288.19	36,260.25	1,670.16	37,930.41	1.6445	1.7203
899	52–V–1900	Shellac varnish bleached TT–V–91A–I.	X	274	1	809.18	32.32	23.81	4.05	869.36	24.91	894.27	3.1728	3.2638
No class	52–T–725–5	Thinner spirits		600	5	165.82	19.22	14.85	3.00	202.89	26.01	228.90	.3382	.3815
	52–X–1400–50	Xylene		163	1	146.73	4.90	3.79	.80	156.22	7.31	163.53	1.0210	1.0688
Class F:				*Pound units*										
67	52–P–20730	Slate color linseed oil putty.	IX	4,000	½	747.60	99.00	113.23	13.44	973.27	56.62	1,029.89	.2433	.2575
68	52–P–20710	Red linseed oil putty	IX	19,750	1	3,578.70	244.42	279.54	33.75	4,136.41	150.88	4,287.29	.2094	.2171
158	(2)	White linseed oil putty for wood boat bottoms.	IX	8,300	5	1,026.71	83.73	95.79	11.74	1,217.97	55.30	1,273.27	.1467	.1534
Class G:														
15HP	52–P–6550	Hot plastic ship bottom antifouling.	VII	1,047,660	55	208,274.81	6,465.07	6,454.85	1,015.51	222,210.24	7,390.23	229,600.47	.2121	.2192
90	52–P–5340	Black plastic composition.	VII	17,481	55	2,108.21	178.56	190.31	26.73	2,503.81	165.64	2,669.45	.1432	.1527
182	(2)	Titanium oxide paste pigment.	IV	2,148	1	480.72	26.05	22.45	3.07	532.29	12.83	545.12	.2478	.2538
203	(2)	Zinc oxide paste pigment	IV	1,446	1	249.58	13.67	11.47	1.62	276.34	7.25	283.59	.1911	.1961
328	(2)	Ultramarine blue paste pigment.	IV	233	⅛	44.67	6.29	5.60	.73	57.29	2.68	59.97	.2459	.2574
827	(2)	Red lead paste	IV	1,600	1	293.28	19.81	22.63	2.73	338.45	12.24	350.69	.2115	.2192
	(2)	Yellow iron oxide in oil	IV	240	1	39.12	4.05	3.37	.46	47.00	1.73	48.73	.1958	.2030

		Canned or recanned only											
Class B:													
5N	52-P-963	Navy gray No. 7 exterior camouflage.		11,535	5	1,636.36	946.01	554.83	83.05	3,220.25	160.14	3,380.39	.2792	.2931
5NG	52-P-5213-60	Navy green exterior camouflage.		545	5	77.31	44.71	26.22	3.93	152.17	7.57	159.74	.2792	.2931
14	52-P-6510	Anticorrosive, ship bottom.		2,055	5	291.52	168.56	98.86	14.80	573.74	28.53	602.27	.2792	.2931
24	52-P-1381	Glossy black exterior deck.		1,000	1	207.00	57.41	33.67	5.07	303.15	10.40	313.55	.3032	.3136
27L	52-P-3245	Light gray fire-retardant interior.		920	5	130.51	75.42	44.23	6.62	256.78	12.76	269.54	.2792	.2930
No class	52-C-3257-30	Rust preventive compound.		5,288	1	1,385.98	379.43	222.53	33.54	2,021.48	68.90	2,090.38	.3823	.3953
	52-C-3257-38	do		11,455	5	1,625.01	513.71	301.29	45.33	2,485.34	91.68	2,577.02	.2170	.2250
				Pound units										
Class G:														
331	[2]	Chrome yellow paste pigment.		40	⅛	1.03	1.79	1.05	.16	4.03	.29	4.32	.1008	.1080
360	52-P-18365	Raw sienna paste pigment.		156	1/16	7.00	14.35	8.42	1.25	31.02	2.31	33.33	.1988	.2137
361	52-P-18299	Burnt sienna paste pigment.		188	1/16	8.40	14.35	8.42	1.25	32.42	2.32	34.74	.1724	.1848
		Total				2,968,361.87	126,893.59	104,284.99	16,779.49	3,216,319.94	104,411.08	3,320,731.02		
		Inventory adjustments:												
		Deduct costs applicable to ingredients manufactured in prior period, but used in finished products manufactured in this period.					*18.42*	*19.07*	*2.46*	*39.95*	*11.70*	*51.65*		
		Add costs applicable to ingredients manufactured in this period, but used in finished products manufactured in subsequent period.					170.85	179.95	23.32	374.12	115.68	489.80		
		Total costs during period.				2,968,361.87	127,046.02	104,445.87	16,800.35	3,216,654.11	104,515.06	3,321,169.17		

[1] Type of manufacture:
I = Steel ball mills.
II = Pebble mills.
III = Special pebble mill
IV = 5-roller mills.
V = 3-roller mills.
VI = Hyspeed mills.
VII = Hot plastic paint mill.
VIII = Cooking.
IX = Putty mill.
X = Mixing only.

[2] Nonstandard, manufactured for auxiliary job orders.

[3] Formula 117 is packaged as follows: 4 gallons of base paint to a 5-gallon container; 1 gallon of diluent to a 1-gallon container.

EXHIBIT D

Summary of cost of operations for the period Jan. 20 to June 1, 1951, inclusive

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$118,891.75		$118,891.75
Overtime premium		8,154.27		8,154.27
Supervision, office, and indirect labor	1			
Straight time		41,747.55		41,747.55
Overtime premium		3,359.52		3,359.52
Payroll burden:				
Vacations, holidays, and sick leave	2	23,393.99		23,393.99
Retirement	3		$10,465.36	10,465.36
Compensation insurance	4		2,248.29	2,248.29
Depreciation	5			
Buildings			8,116.84	8,116.84
Storage tanks and auxiliary equipment			1,703.29	1,703.29
Machinery and equipment			12,065.25	12,065.25
Insurance	6			
Buildings, fire			3,410.41	3,410.41
Storage tanks and auxiliary equipment, fire			291.77	291.77
Machinery and equipment, fire			1,099.82	1,099.82
Inventories, fire			6,811.95	6,811.95
Other			236.13	236.13
Property taxes	7			
Buildings, land, and land improvements			11,307.75	11,307.75
Storage tanks and auxiliary equipment			1,893.52	1,893.52
Machinery and equipment			3,896.58	3,896.58
Inventories			18,852.90	18,852.90
Repairs and maintenance	8			
Buildings		3,334.26	195.21	3,529.47
Storage tanks and auxiliary equipment		459.01	21.68	480.69
Machinery and equipment		17,195.33	812.18	18,007.51
Utilities	9			
Electric power		6,164.23	565.28	6,729.51
Pneumatic power		2,303.03		2,303.03
Water		2,026.26	(624.70)	1,401.56
Gas		4,462.69	98.62	4,561.31
Subtotal (exhibit D, schedule 1)		231,491.89	83,468.13	314,960.02
State of California franchise tax	10		21,046.93	21,046.93
Subtotal		231,491.89	104,515.06	336,006.95
General and administrative expenses at 5 percent of above total costs	11	16,800.35		16,800.35
Total		248,292.24	104,515.06	352,807.30

SCHEDULE 1.—***Summary of cost of operations by cost centers for the period Jan. 20 to June 19, 1951, inclusive***

Cost center	Costs payable from current naval appropriation	Constructive costs	Total
Raw material handling and storage (exhibit D, schedule 2)	$34,283.39	$57,650.47	$91,933.86
Steel ball mills (exhibit D, schedule 3)	19,330.52	2,468.24	21,858.76
Pebble mills (exhibit D, schedule 4)	16,605.87	1,794.87	18,400.74
Special pebble mill (exhibit D, schedule 5)	699.55	431.46	1,131.01
Five-roller mills (exhibit D, schedule 6)	23,393.18	2,723.92	26,120.10
Three-roller mills (exhibit D, schedule 7)	25,771.74	2,908.00	28,679.74
Hyspeed mills (exhibit D, schedule 8)	24,564.07	2,958.15	27,522.22
Putty mills (exhibit D, schedule 9)	926.98	172.04	1,099.02
Rosin crushing and melting (exhibit D, schedule 10)	2,609.18	672.83	3,282.01
Cooking (exhibit D, schedule 11)	17,474.10	3,399.51	20,873.61
Cooling and storage (exhibit D, schedule 12)	865.60	1,452.72	2,318.32
Mixing (exhibit D, schedule 13)	723.74	231.24	954.98
Hot plastic paint milling, drumming, and weighing (exhibit D, schedule 14)	2,628.40	895.40	3,523.80
Canning and recanning (exhibit D, schedule 15)	61,555.57	5,703.28	67,261.85
Total	231,491.89	83,468.13	314,960.02

SCHEDULE 2.—*Warehousing and storage costs for packaged raw materials and containers stored in warehouse and for bulk liquid raw materials stored in tank farm for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$15,666.13		$15,666.13
Overtime premium		202.68		202.68
Supervision, office, and indirect labor	1			
Straight time		3,528.61		3,528.61
Overtime premium		212.89		212.89
Payroll burden:				
Vacations, holidays, and sick leave	2	3,121.81		3,121.81
Retirement	3		$1,396.55	1,396.55
Compensation insurance	4		280.25	280.25
Depreciation	5			
Buildings			5,829.08	5,829.08
Storage tanks and auxiliary equipment			1,313.39	1,313.39
Warehousing equipment			7,764.75	7,764.75
Insurance	6			
Building, fire			2,537.79	2,537.79
Storage tanks and auxiliary equipment, fire			240.37	240.37
Warehousing equipment, fire			494.59	494.59
Inventories, fire			6,811.95	6,811.95
Other			29.37	29.37
Property taxes	7			
Building, land, and land improvements			8,672.58	8,672.58
Storage tanks and auxiliary equipment			1,619.71	1,619.71
Warehousing equipment			1,402.04	1,402.04
Inventories			18,852.90	18,852.90
Repairs and maintenance	8			
Building		2,394.57	140.18	2,534.75
Warehousing equipment		2,718.77	128.41	2,847.18
Storage tanks and auxiliary equipment		459.01	21.68	480.69
Utilities	9			
Electrical power		1,287.66	118.08	1,405.74
Pneumatic power		1,727.27		1,727.27
Water		207.93	(64.11)	143.82
Gas		2,756.06	60.91	2,816.97
Total		34,283.39	57,650.47	91,933.86

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 3.—*Mixing and milling costs, steel ball mills, for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$9,725.03		$9,725.03
Overtime premium		749.13		749.13
Supervision, office, and indirect labor	1			
Straight time		3,606.84		3,606.84
Overtime premium		296.93		296.93
Payroll burden:				
Vacations, holidays, and sick leave	2	1,910.76		1,910.76
Retirement	3		$854.78	854.78
Compensation insurance	4		185.50	185.50
Depreciation	5			
Buildings			157.53	157.53
Machinery and equipment			567.81	567.81
Insurance	6			
Buildings, fire			15.80	15.80
Machinery and equipment, fire			17.68	17.68
Other			19.49	19.49
Property taxes	7			
Buildings, land, and land improvements			178.03	178.03
Machinery and equipment			351.74	351.74
Repairs and maintenance	8			
Buildings		64.69	3.79	68.48
Machinery and equipment		2,100.87	99.23	2,200.10
Utilities	9			
Electrical power		763.77	70.04	833.81
Water		172.50	(53.18)	119.32
Total		19,390.52	2,468.24	21,858.76

See exhibit D, Schedule 16, for explanatory footnotes.

SCHEDULE 4.—*Mixing and milling costs, pebble mills, for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$8,483.23		$8,483.23
Overtime premium		653.47		653.47
Supervision, office, and indirect labor	1			
Straight time		3,146.28		3,146.28
Overtime premium		259.02		259.02
Payroll burden:				
Vacations, holidays, and sick leave	2	1,666.77		1,666.77
Retirement	3		$745.63	745.63
Compensation insurance	4		161.81	161.81
Depreciation	5			
Buildings			155.92	155.92
Machinery and equipment			271.61	271.61
Insurance	6			
Buildings, fire			15.74	15.74
Machinery and equipment, fire			9.07	9.07
Other			17.00	17.00
Property taxes	7			
Buildings, land, and land improvements			176.21	176.21
Machinery and equipment			164.79	164.79
Repairs and maintenance	8			
Buildings		64.02	3.76	67.78
Machinery and equipment		1,818.40	85.89	1,904.29
Utilities	9			
Electrical power		365.28	33.50	398.78
Water		149.40	(46.06)	103.34
Total		16,695.87	1,794.87	18,400.74

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 5.—*Mixing and milling costs, special pebble mill, for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$314.81		$314.81
Overtime premium		24.25		24.25
Supervision, office, and indirect labor	1			
Straight time		116.76		116.76
Overtime premium		9.61		9.61
Payroll burden:				
Vacations, holidays, and sick leave	2	61.85		61.85
Retirement	3		$27.67	27.67
Compensation insurance	4		6.00	6.00
Depreciation	5			
Buildings			137.06	137.06
Machinery and equipment			50.79	50.79
Insurance	6			
Buildings, fire			107.69	107.69
Machinery and equipment, fire			17.58	17.58
Other			.63	.63
Property taxes	7			
Buildings, land, and land improvements			54.08	54.08
Machinery and equipment			30.41	30.41
Repairs and maintenance	8			
Buildings		56.28	3.30	59.58
Machinery and equipment		70.62	3.34	73.96
Utilities	9			
Electrical power		17.24	1.58	18.82
Water		28.13	(8.67)	19.46
Total		699.55	431.46	1,131.01

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 6.—*Mixing and milling costs, five-roller mills, for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$11,880.81		$11,880.81
Overtime premium		915.20		915.20
Supervision, office, and indirect labor	1			
Straight time		4,343.11		4,343.11
Overtime premium		357.79		357.79
Payroll burden:				
Vacations, holidays, and sick leave	2	2,325.25		2,325.25
Retirement	3		$1,040.21	1,040.21
Compensation insurance	4		225.74	225.74
Depreciation	5			
Buildings			146.25	146.25
Machinery and equipment			627.85	627.85
Insurance	6			
Buildings, fire			15.34	15.34
Machinery and equipment, fire			17.45	17.45
Other			23.72	23.72
Property taxes	7			
Buildings, land, and land improvements			165.26	165.26
Machinery and equipment			337.24	337.24
Repairs and maintenance	8			
Buildings		60.06	3.52	63.58
Machinery and equipment		2,559.87	120.91	2,680.78
Utilities	9			
Electrical power		741.63	68.01	809.64
Water		209.46	(64.58)	144.88
Total		23,393.18	2,726.92	26,120.10

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 7.—*Mixing and milling costs, three-roller mills, for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$12,914.97		$12,914.97
Overtime premium		994.85		994.85
Supervision, office, and indirect labor	1			
Straight time		4,789.94		4,789.94
Overtime premium		394.33		394.33
Payroll burden:				
Vacations, holidays, and sick leave	2	2,537.51		2,537.51
Retirement	3		$1,135.16	1,135.16
Compensation insurance	4		246.35	246.35
Depreciation	5			
Buildings			186.97	186.97
Machinery and equipment			558.30	558.30
Insurance	6			
Buildings, fire			17.94	17.94
Machinery and equipment, fire			18.06	18.06
Other			25.88	25.88
Property taxes	7			
Buildings, land, and land improvements			211.35	211.35
Machinery and equipment			346.10	346.10
Repairs and maintenance	8			
Buildings		76.79	4.49	81.28
Machinery and equipment		2,789.38	131.75	2,921.13
Utilities	9			
Electrical power		1,046.03	95.92	1,141.95
Water		227.94	(70.27)	157.67
Total		25,771.74	2,908.00	28,679.74

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 8.—*Mixing and milling costs, hyspeed mills, for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$12,209.30		$12,209.30
Overtime premium		940.50		940.50
Supervision, office, and indirect labor	1			
Straight time		4,528.21		4,528.21
Overtime premium		372.79		372.79
Payroll burden:				
Vacations, holidays, and sick leave	2	2,398.86		2,398.86
Retirement	3		$1,073.14	1,073.14
Compensation insurance	4		232.89	232.89
Depreciation	5			
Buildings			231.25	231.25
Machinery and equipment			590.73	590.73
Insurance	6			
Buildings, fire			18.82	18.82
Machinery and equipment, fire			17.59	17.59
Other			24.46	24.46
Property taxes	7			
Buildings, land, and land improvements			261.56	261.56
Machinery and equipment			336.79	336.79
Repairs and maintenance	8			
Buildings		94.97	5.57	100.54
Machinery and equipment		2,630.50	124.24	2,754.74
Utilities	9			
Electrical power		1,173.32	107.59	1,280.91
Water		215.62	(66.48)	149.14
Total		24,564.07	2,958.15	27,522.22

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 9.—*Milling and canning costs, putty mills, for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$401.61		$401.61
Overtime premium		30.93		30.93
Supervision, office and indirect labor	1			
Straight time		146.58		146.58
Overtime premium		12.06		12.06
Payroll burden:				
Vacations, holidays, and sick leave	2	78.57		78.57
Retirement	3		$35.15	35.15
Compensation insurance	4		7.63	7.63
Depreciation	5			
Buildings			42.30	42.30
Machinery and equipment				
Insurance	6			
Buildings, fire			1.78	1.74
Machinery and equipment, fire			.88	.88
Other			.80	.80
Property taxes	7			
Buildings, land, and land improvements			47.90	47.90
Machinery and equipment			19.62	19.62
Repairs and maintenance	8			
Buildings		17.36	1.02	18.38
Machinery and equipment		88.27	4.17	92.44
Utilities	9			
Electrical power		143.90	13.20	157.10
Water		7.70	(2.37)	5.33
Total		926.98	172.04	1,099.02

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 10.—*Rosin crushing and melting costs for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$1,332.55		$1,332.55
Overtime premium		102.65		102.65
Supervision, office, and indirect labor	1			
Straight time		494.22		494.22
Overtime premium		40.68		40.68
Payroll burden:				
Vacations, holidays, and sick leave	2	261.82		261.82
Retirement	3		$117.12	117.12
Compensation insurance	4		25.41	25.41
Depreciation	5			
Buildings			34.81	34.81
Machinery and equipment			219.96	219.96
Insurance	6			
Buildings, fire			33.17	33.17
Machinery and equipment, fire			73.53	73.53
Other			2.67	2.67
Property taxes	7			
Buildings, land, and land improvements			38.12	38.12
Machinery and equipment			109.78	109.78
Repairs and maintenance	8			
Buildings		14.30	.83	15.13
Machinery and equipment		282.47	13.34	295.81
Utilities	9			
Electrical power		33.21	3.05	36.26
Gas		47.28	1.04	48.32
Total		2,609.18	672.83	3,282.01

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 11.—*Cooking costs for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$8,526.79		$8,526.79
Overtime premium		656.83		656.83
Supervision, office, and indirect labor	1			
Straight time		3,162.44		3,162.44
Overtime premium		260.35		260.35
Payroll burden:				
Vacations, holidays, and sick leave	2	1,675.33		1,675.33
Retirement	3		$749.46	749.46
Compensation insurance	4		162.64	162.64
Depreciation	5			
Buildings			296.85	296.85
Machinery and equipment			775.66	775.66
Insurance	6			
Buildings, fire			280.03	280.03
Machinery and equipment, fire			278.62	278.62
Other			17.09	17.09
Property taxes	7			
Buildings, land, and land improvements			325.07	325.07
Machinery and equipment			428.03	428.03
Repairs and maintenance	8			
Buildings		121.93	7.13	129.06
Machinery and equipment		1,836.05	86.72	1,922.77
Utilities	9			
Electrical power		16.60	1.52	18.12
Gas		1,108.14	24.49	1,132.63
Water		109.64	(33.80)	75.84
Total		17,474.10	3,399.51	20,873.61

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 12.—*Cooling and storage costs of manufactured ingredients and finished products for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time				
Overtime premium				
Supervision, office, and indirect labor	1			
Straight time				
Overtime premium				
Depreciation	5			
Buildings			$275.03	$275.03
Storage tanks and auxiliary equipment			389.90	389.90
Insurance	6			
Buildings, fire			140.43	140.43
Storage tanks and auxiliary equipment, fire			51.40	51.40
Property taxes	7			
Buildings, land, and land improvements			305.72	305.72
Storage tanks and auxiliary equipment			273.81	273.81
Repairs and maintenance	8			
Buildings		$112.96	6.62	119.58
Utilities	9			
Electrical power		138.36	12.69	151.05
Pneumatic power		575.76		575.76
Water		38.52	(11.88)	26.64
Total		865.60	1,452.72	2,318.32

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 13.—*Mixing costs for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$351.64		$351.64
Overtime premium		27.09		27.09
Supervision, office, and indirect labor	1			
Straight time		130.42		130.42
Overtime premium		10.74		10.74
Payroll burden:				
Vacations, holidays, and sick leave	2	69.09		69.09
Retirement	3		$30.91	30.91
Compensation insurance	4		6.70	6.70
Depreciation	5			
Buildings			34.88	34.88
Machinery and equipment			38.91	38.91
Insurance	6			
Buildings, fire			33.17	33.17
Machinery and equipment, fire			15.66	15.66
Other			.70	.70
Property taxes	7			
Buildings, land, and land improvements			38.18	38.18
Machinery and equipment			23.39	23.39
Repairs and maintenance	8			
Buildings		14.33	.83	15.16
Machinery and equipment		70.62	3.34	73.96
Utilities: Electrical power	9	49.81	4.57	54.38
Total		723.74	231.24	954.98

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 14.—*Hot plastic paint milling, drumming, and weighing costs for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$1,060.21		$1,060.21
Overtime premium		81.67		81.67
Supervision, office, and indirect labor	1			
Straight time		393.22		393.22
Overtime premium		32.37		32.37
Payroll burden:				
Vacations, holidays, and sick leave	2	208.31		208.31
Retirement	3		$93.19	93.19
Compensation insurance	4		20.22	20.22
Depreciation	5			
Buildings			111.70	111.70
Machinery and equipment			248.87	248.87
Insurance	6			
Buildings, fire			80.14	80.14
Machinery and equipment, fire			97.41	97.41
Other			2.12	2.12
Property taxes	7			
Buildings, land, and land improvements			41.93	41.93
Machinery and equipment			150.74	150.74
Repairs and maintenance	8			
Buildings		46.00	2.70	48.70
Machinery and equipment		229.51	10.84	240.35
Utilities	9			
Electrical power		381.88	35.02	416.90
Gas		183.74	4.06	187.80
Water		11.49	(3.54)	7.95
Total		2,628.40	895.40	3,523.80

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 15.—*Canning and recanning costs for period Jan. 20 to June 19, 1951, inclusive*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1			
Straight time		$36,024.67		$36,024.67
Overtime premium		2,775.02		2,775.02
Supervision, office, and indirect labor	1			
Straight time		13,360.92		13,360.92
Overtime premium		1,099.96		1,099.96
Payroll burden:				
Vacations, holidays, and sick leave	2	7,078.06		7,078.06
Retirement	3		$3,166.39	3,166.39
Compensation insurance	4		687.15	687.15
Depreciation	5			
Buildings			477.21	477.21
Machinery and equipment			350.01	350.01
Insurance	6			
Buildings—fire			103.61	103.61
Machinery and equipment—fire			41.70	41.70
Other			72.20	72.20
Property taxes	7			
Buildings, land, and land improvements			791.76	791.76
Machinery and equipment			195.91	195.91
Repairs and maintenance	8			
Buildings		196.00	11.47	207.47
Machinery and equipment				
Utilities	9			
Electrical power		5.54	.51	6.05
Water		647.93	(199.76)	448.17
Gas		367.47	8.12	375.59
Total		61,555.57	5,706.28	67,261.85

See exhibit D, schedule 16, for explanatory footnotes.

SCHEDULE 16.—*Summary of cost of operations for period Jan. 20, 1951, to June 19, 1951, inclusive*

FOOTNOTES

1. Direct, indirect, supervision and office labor recorded on S and A Form 285b for the accounting period February 1 to June 30, 1951, was adjusted as follows:
   (*a*) To conform to production period January 20 to June 19, 1951.
   (*b*) To include labor costs incurred by the Supply Department for the handling and warehousing of raw materials received at Mare Island Naval Shipyard for use in the manufacture of paint products.
   (*c*) To include the cost of group IV-b personnel employed at the paint manufacturing shop, but carried on the rolls of the shipyard shop superintendent.

2. Allowance for vacations, holidays, and sick leave is at the rate of 17 percent of basic straight-time compensation, which excludes overtime pay (straight time and premium). This rate, prescribed in the Bureau of Supplies and Accounts Manual, volume VI, paragraph 06357–2, for application to work performed for other military departments, is considered appropriate for use in the period of this study.

3. Allowance for Government contribution to the retirement fund is at the Civil Service Commission's reported present actuarial experience rate of 6.5 percent of basic straight-time compensation, including accrued vacations, holidays and sick leave pay, but excluding overtime pay (straight time and premium). No special consideration was given for any temporary employees who were covered by the Federal Insurance Contributions Act, and who are not presently eligible to participate in the Government's retirement plan.

4. The cost of compensation insurance is based on the net rate of $1.46 per $100 of all straight-time labor, except office labor for which a net rate $0.06 is used. These net rates, after consideration of premium refunds based on probable experience, were quoted by a major insurance carrier.

5. The depreciation rates were taken from the Bureau of Internal Revenue Bulletin "F" published in 1942, and the Accountants' Handbook, second edition. Provision for annual depreciation of buildings averaged 2.95 percent of cost. Provision for annual depreciation of machinery and equipment was based upon the normal rates set forth in the above references for the individual items of machinery and equipment, and averaged 7.81 percent of cost. In computing depreciation, the supervisory cost inspector, with one exception referred to below, accepted the costs recorded on property record cards (S and A Forms 267 and 278) maintained by the fiscal officer of the Mare Island Naval Shipyard. For those items of machinery and equipment which, by the application of recognized depreciation rates would be fully depreciated, no provision for depreciation was made.

The one exception referred to above was with respect to the building presently being used for warehousing raw materials for use in the manufacture of paint products. This building was originally constructed for use as a shipfitters shop with an over-all cost for building and operating equipment of $507,840. Information contained in the files of the public works officer indicated that the material and labor costs for the construction of the building alone approximated $300,000, and it was this figure that was used as the basis for computation of the provision for depreciation, taxes, and fire insurance.

6. Fire insurance rates were secured from the local fire insurance rating bureau. Actual inspection of the physical plant was not made by them, but the following net rates were recommended on the basis of information submitted by the supervisory cost inspector, and are based on a 90 percent average clause, less 16.67 percent for 3-year policies:

Building	Rate per $100 insured value		
	Building	Machinery and equipment	Inventories
Paint manufacturing shop	$0.061	$0.161	
Boiler and transformer house	.065	.255	
Varnish manufacturing shop	2.360	2.420	
Warehouse and Saran manufacturing shop	1.940	2.080	
Raw material warehouse	1.230	1.270	$1.580
Tank farm	.710	.710	.710

With the exception of the raw-material warehouse (see footnote 5 above), the insurable values of the buildings were based on 150 percent of 1940–42 (dates of acquisition) costs to compensate for present increased replacement costs. The insurable values of machinery and equipment were based on acquisition costs on the theory that accumulated depreciation has offset the difference from original costs to present replacement costs. Computed cost was the insurable value used in determining the cost of fire insurance on inventories.

The "other" insurance is the cost of comprehensive public liability and property damage insurance computed at rates quoted per $100 of straight-time labor.

7. Deputy assessors for the city of Vallejo and county of Solano, Calif., without inspection of the physical plant, estimated probable assessed valuations of the real and personal properties based on cost and other information furnished to them by the supervisory cost inspector. The combined property-tax rate of the city of Vallejo and county of Solano for the fiscal year ended June 30, 1951, of $6.84 per $100 assessed value was used to determine property taxes applicable to the 5-month period under study.

8. Repair and maintenance costs are based on five-twelfths of the recorded costs for the fiscal year ended June 30, 1951, plus payroll burden (see footnotes 2, 3, and 4) applicable to the labor included therein.

9. The usage of utilities was determined from meter readings applicable to the paint manufacturing shop. Mare Island Naval Shipyard billing rates were used to determine "costs payable from current naval appropriations," and the differences between shipyard rates, and rates quoted by the supplying utility companies for independent plants of similar size were used in determining "constructive costs" of utilities.

10. In the State of California, a corporation must pay a franchise tax for the privilege of doing business. The tax is computed at 4 percent of a corporation's net earnings before Federal income and State franchise taxes. Reference to published statements of paint manufacturers indicate that total manufacturing costs and profit, approximate 65 percent, and 10 percent of sales, respectively. Since it is assumed that an operation of the scope of the paint manufacturing shop would normally be by a corporate entity the afore-mentioned percentages were used as criteria by the supervisory cost inspector in the computation of the State of California franchise tax.

11. In view of the multitudinous operations of the Mare Island Naval Shipyard, it is questionable whether any reduction in general, and administrative expenses would inure to the Government should the Government procure its requirements of paint products solely from commercial sources. However, and since cost data relative to general and administrative expenses incurred by commercial paint manufacturers could not be obtained, as a conservative measure an allowance of 5 percent of total operating costs (costs payable from current naval appropriations and constructive costs, but excluding direct material costs) has been included as general and administrative expenses.

EXHIBIT E

Reconciliation of production per plant output cost summaries (S and A Form 285b) with reconstructed production for the accounting period Feb. 1 to June 30, 1951, inclusive; Production period, Jan. 20 to June 19, 1951, inclusive

	Reference to schedules of exhibit E	Production per S and A Form 285b	Reclassification		Deduct production overstatements	Add auxiliary job orders	Deduct opening inventory	Add		Reconstructed production
			Add	Deduct				Closing inventory	Unrecorded production	
Finished products (gallons):	1									
Class B		1,353,308	17,497	22,016	1,000	16,840	6,858	22,131	985	1,380,887
Class C		9,825	33,513			11,167½	952½	3,176		56,729
Class D		16,244	5,610	20,775			1,079			
No class		5,753		5,000						753
Total		1,385,130	56,620	47,791	1,000	28,007½	8,889½	25,307	985	1,438,369
Finished products (pounds)	1									
Class F		23,750				8,300				32,050
Class G		1,134,777				5,667	93,982	24,346		1,070,808
Total		1,158,527	0	0	0	13,967	93,982	24,346	0	1,102,858
Materials for use in finished products (gallons)	2									
Class B		9,150		5,400						3,750
Class C		281,027	5,400	22,049	30,053		1,900		10,200	242,625
Total		290,177	5,400	27,449	30,053	0	1,900	0	10,200	246,375
Materials for use in finished products (pounds)	2									
Class G		193,829	0	156	0	0	0	0	0	193,673
Products recapped (gallons)	3									
Class B			8,220			9,930	2,095			16,055
No class			5,000			11,455			288	16,743
Total		0	13,220	0	0	21,385	2,095	0	288	32,798
Products recapped (pounds)	3									
Class G		188	156	0	0	40	0	0	0	384

SCHEDULE 1.—*Reconciliation of production per plant output cost summaries (S and A Form 285b) with reconstructed production for the accounting period, Feb. 1 to June 30, 1951, inclusive; production period Jan. 20 to June 19, 1951, inclusive*

FINISHED PRODUCTS

CLASS B

[Gallons]

Formula	Name of mixture	Container size	Production per S & A Form 285b	Reclassification		Deduct production overstatements	Add auxiliary job orders	Deduct opening inventory	Add		Reconstructed production
				Add	Deduct				Closing inventory	Unrecorded production	
		Gallons									
3	Black boot-topping	1	1,233								1,233
	do	5	18,100								18,100
5H	Haze gray, No. 27, exterior camouflage	5	293,760					990	4,175		296,945
5N	Navy gray, No. 7, exterior camouflage	5	11,245		3,070						8,175
5NB	Navy blue, exterior camouflage	5	4,665								4,665
6	White glossy, exterior camouflage	1	1,002	52							1,054
	White glossy	5	567		52					200	715
7	Spar color, exterior oil paint	5					120				120
13	Dull black, exterior camouflage	5	6,240			1,000					5,240
14	Anticorrosive, shipbottom	5	68,310		4,150				2,280		66,440
14D	Anticorrosive, submarine	5	19,040								19,040
19	Dark green, deck	1	1,004								1,004
19	do	5	10,210								10,210
20	Dark gray, exterior, deck, type A	5	68,155						2,605		70,760
20B	Dark gray, exterior, deck, type B	5	3,360	4,960							8,320
20L	Light gray, interior, deck	1	9,000								9,000
20L	do	5	45,320								45,320
20NS	Dark gray, exterior, deck, type B	5	4,960		4,960						
21	Flight deck stain	5	24,000								24,000
23	Red, deck	5	3,380						2,195		5,575
24	Glossy black, exterior, deck	1	1,000		1,000						
25	Green shellac varnish	1	1,992								1,992
27	White, fire-retardant, interior	1	6,000								6,000
27	do	5	179,155						3,315		182,470
27A	White, interior	5					195				195
27L	Light, gray, fire-retardant, interior	5	970					585			385
28	Black, acid-resisting	5	3,660		3,660						
29A	White, flat, interior	5					1,000			345	1,345
30	White, general, semigloss enamel	1	500								500
	do	5	41,165								41,165
30L	Light gray machinery enamel	1	10,368								10,368
31	Light green, fire-retardant, interior	5	35,095								35,095

SCHEDULE 1.—*Reconciliation of production per plant output cost summaries (S and A Form 285b) with reconstructed production for the accounting period, Feb. 1 to June 30, 1951, inclusive; production period Jan. 20 to June 30, 1951, inclusive*—Continued

FINISHED PRODUCTS

CLASS B

[Gallons]

Formula	Name of mixture	Container size	Production per S & A Form 285b	Reclassification		Deduct production overstatements	Add auxiliary job orders	Deduct opening inventory	Add		Reconstructed production
				Add	Deduct				Closing inventory	Unrecorded production	
		Gallons									
37	Medium gray machinery enamel	1	7,844								7,844
39	Green striping paint	¼	1,500								1,500
	do	1	5,168					501	2,471		7,138
40	Red striping paint	⅛	500								500
	do	¼	50								50
	do	1	6,023								6,023
41	Brown striping paint	1	100								100
42	Yellow striping paint	1	5,056					293			4,763
46	Gray, No. 46, exterior camouflage	5	2,320								2,320
61	Linoleum cement	1		460							460
62	Smoothing cement	1	228	200							428
64	Oil and water stop compound	1	20								20
84	High alkyd zinc chromate primer	5	92,840								92,840
84B	Chocolate-brown metal primer	5					895				895
84E	Blue primer	5					195				195
102	Zinc dust paint, water resisting	5	22,800								22,800
104	Dull black, exterior camouflage	1	300								300
	Do	5	8,720								8,720
105	Red cold plastic antifouling	5	53,500						3,005		56,505
109	Gray, No. 11, exterior camouflage	5	5,020								5,020
111	Light gray equipment enamel, type I	1	22,798								22,798
	Do	5	3,970		940				1,235		4,265
111-III	Light gray equipment enamel, type III	5		940							940
113	White vinylidene resin solution	5	10,090		3,910						6,180
	Orange vinylidene resin solution	5		3,910							3,910
114	Gray primer-undercoat for wood decks	5	3,155					1,900			1,255
116	Maintenance exterior primer	5	144,710					640		360	144,430
117	Zinc chromate metal conditioner	5	17,680	6,975							24,655
129	Liquid wood filler and sealer	5					220				220
145	Cold black plastic, A. F	5	20,700					1,285			19,415
146	Black cold plastic antifouling paint	5	11,095					405	850		11,540
L-228-1	Copper flake paint	5					35				35
269	Green gray for concrete floors	5					80				80
		5					325				325

269	Green gray for concrete floors	5					80				80
626	Blue generator paint	5					325				325
664	Red ordnance enamel, type I	5	75								75
665	Medium blue ordnance enamel, type I	5	370								370
773	Vermiculite spray mixture (binder)	5					435				435
775B	White, exterior, for wood surfaces	5	300							80	380
781	Dark gray machinery enamel	1	1, 134								1, 134
822	Cream exterior flat	5					200				200
828	Ocean gray ordnance enamel, type I	5	715								715
831G	Light green interior gloss enamel	5	655								655
831S	Light green interior semi-gloss enamel	5	2, 385								2, 385
832G	Medium green interior gloss enamel	5	1, 635								1, 635
832S	Medium green interior semi-gloss enamel	5	315								315
853F	White ready-mixed flat	5	1, 970								1, 970
853S	White interior semi-gloss enamel	5	1, 435								1, 435
855	Light blue ordnance enamel	1	259					259			
872	Slate gray ordnance enamel	1	310								310
883	White one-coat flat	5	580								580
896	White alkyd resin exterior gloss enamel	5	1, 095								1, 095
897	Black No. 101 alkyd resin exterior gloss enamel	5	635								635
899	Shellac, varnish, bleached	1	274		274						
907	Gray No. 123 alkyd resin exterior gloss enamel	5	4, 385								4, 385
908	Gray No. 20 alkyd resin exterior gloss enamel	1	312								312
911	Green No. 112 alkyd resin exterior gloss enamel	5	10, 755								10, 755
912	Yellow No. 120 alkyd resin exterior gloss enamel	5	2, 050								2, 050
916	Orange No. 15 alkyd resin exterior gloss enamel	5	1, 550								1, 550
920	Middlestone No. 920 alkyd resin exterior gloss enamel	5	150								150
924	Blue No. 17 alkyd resin exterior gloss enamel	1	111								111
926	Green gray submarine interior	5					400				400
929A	Marine gray preservative	5					12, 740				12, 740
930	Synthetic metal and wood primer	1	106								106
931	Gray No. 19 alkyd resin exterior gloss enamel	1	104								104
	Total		1, 353, 308	17, 497	22, 016	1, 000	16, 840	6, 858	22, 131	985	1, 380, 887

CLASS C

		Gallons									
28B	Rust inhibitor stock solution (drum)	55					10, 300		800		11, 100
28	Black acid-resisting paint	5	2, 760	3, 660				380			6, 040
75	Pumping compound	5					656½	152½			504
80B	Phenolic spar varnish without driers	1	4, 500						2, 376		6, 876
113	Clear vinylidene resin solution	5		7, 530				420			7, 110
262	Asphalt primer	5	2, 565								2, 565
693	Air test foam	5					85				85
786	Corrosive inhibitive metal putty	1					26				26
806	Linseed oil painting pretreatment	5					100				100
817	High toughness water resisting spar varnish	1		22, 049							22, 049
899	Shellac varnish bleached TT–V–91A–I	1		274							274
	Total		9, 825	33, 513	0	0	11, 167½	952½	3, 176	0	56, 729

SCHEDULE 1.—*Reconciliation of production per plant output cost summaries (S and A Form 285b) with reconstructed production for the accounting period, Feb. 1 to June 30, 1951, inclusive; production period Jan. 20 to June 30, 1951, inclusive*—Continued

FINISHED PRODUCTS

CLASS D

[Gallons]

Formula	Name of mixture	Container size	Production per S & A Form 285b	Reclassification		Deduct production overstatements	Add auxiliary job orders	Deduct opening inventory	Add		Reconstructed production
				Add	Deduct				Closing inventory	Unrecorded production	
		Gallons									
61	Linoleum cement	1	460		460						
62	Smoothing cement	1	200		200						
113	Clear vinylidene resin solution	5	7,530		7,530						
117	Zinc chromate metal conditioner	1	5,610		5,610						
	do	5	1,365	5,610	6,975						
408	Aluminum heat resisting paint	6½	1,079					1,079			
	Total		16,244	5,610	20,775	0	0	1,079	0	0	0

NO CLASS

		Gallons									
None	Post Preservative Compound	1	5,000		5,000						
None	Thinner Spirits	5	600								600
None	Xylene	1	153								153
	Total		5,753	0	5,000	0	0	0	0	0	753

CLASS F

		Pounds									
67	Slate color linseed oil putty	½	4,000								4,000
68	Red linseed oil putty	1	19,750								19,750
158	White linseed oil putty	5					8,300				8,300
	Total		23,750	0	0	0	8,300	0	0	0	32,050

CLASS G

		Pounds									
15HP	Hot plastic shipbottom antifouling (drum)	55	1,117,296					93,982	24,346		1,047,660
90	Black plastic composition (drum)	55	17,481								17,481
None	Yellow iron oxide in oil	1					240				240
182	Titanium oxide paste pigment	1					2,148				2,148
203	Zinc oxide paste pigment	1					1,446				1,446
328	Ultramarine blue paste pigment	⅛					233				233
827	Red lead paste	1					1,600				1,600
	Total		1,134,777	0	0	0	5,667	93,982	24,346	0	1,070,798

SCHEDULE 2.—*Reconciliation of production per plant output cost summaries (S and A Form 285b) with reconstructed production for the accounting period, Feb. 1 to June 30, 1951, inclusive; production period, Jan. 20 to June 19, 1951, inclusive*

MATERIALS FOR USE IN FINISHED PRODUCTS

CLASS B

Formula	Name of mixture	Container size	Production per S & A Form 285b	Reclassification		Deduct production overstatements	Add auxiliary job orders	Deduct opening inventory	Add		Reconstructed production
				Add	Deduct				Closing inventory	Unrecorded production	
		Gallons									
101	Black tinting paint	Bulk	3,750								3,750
105V	Vehicle for cold plastic paint	Bulk	5,400		5,400						
	Total		9,150	0	5,400	0	0	0	0	0	3,750

CLASS C

		Gallons									
2	Phenolic No. 2	Bulk	4,500					300		[1] 200	4,400
80B	Phenolic Spar varnish without driers	Bulk	73,045			4,500				[1] 2,000	70,545
86L	Liquid paint drier	Bulk	500							500	1,000
105V	Vehicle for red cold plastic	Bulk	32,600	5,400						[1] 3,000	41,000
143	Phenolic vehicle	Bulk	21,000					1,600		[1] 600	20,000
456	Formalin linoleate resin	Bulk	77,188			3,504				[1] 3,200	76,884
673	Fortified oil for formula 80B	Bulk	18,000							[1] 300	18,300
690	Treated linseed oil	Bulk	6,495								6,495
817	High toughness water resisting spar varnish	Bulk	45,049		22,049	22,049					951
843	Spar varnish, mixing, Specification 52-V-20	Bulk	2,200								2,200
871	Ester gum varnish	Bulk	450								450
None	Vehicle for formula 16X	Bulk								400	400
	Total		281,027	5,400	22,049	30,053	0	1,900	0	10,200	242,625

CLASS G

		Pounds									
None	Phosphotungstic toner	5	280								280
None	Copper green paste pigment	1	550								550
None	do	5	340								340
None	Yellow iron oxide in D65A	5	113								113
None	Yellow iron oxide paste pigment	5	7,006								7,006
None	Lemon yellow chrome paste pigment	5	1,980								1,980
None	Prussian blue paste pigment	5	380								380
4B	Phenolic condensate	Bulk	161,596								161,596
152	Chrome green paste pigment	½6	384								384
152	do	5	748								748
183	Venetian red paste pigment	5	1,984								1,984
297	Lampblack paste pigment	5	238								238
325	Ultramarine Blue paste pigment	5	595								595
328	do	5	5,097								5,097
331	Chrome yellow paste pigment	5	1,890								1,890
340	Raw sienna paste pigment	½6	156		156						
379	Raw umber paste pigment	1	744								744
379	do	5	330								330
380	Burnt umber paste pigment	5	660								660
404	Indian red paste pigment	5	902								902
429	Toluidine red paste pigment	5	925								925
492	Chrome green oxide paste pigment	5	6,354								6,354
800	Copper blue paste pigment	5	378								378
927	Zinc chromate paste pigment	5	102								102
928	Lampblack paste pigment	5	87								87
	Total		193,829	0	156	0	0	0	0	0	193,673

[1] Produced on June 18 and 19, 1951, but not included in production per S & A Form 285b until subsequent period.

SCHEDULE 3.—*Reconciliation of production per plant output cost summaries (S and A Form 285b) with reconstructed production for the accounting period, Feb. 1 to June 30, 1951, inclusive; production period Jan. 20 to June 19, 1951, inclusive*

PRODUCTS RECANNED

CLASS B

Formula	Name of mixture	Container size	Production per S & A Form 285b	Reclassification		Deduct production overstatements	Add auxiliary job orders	Deduct opening inventory	Add		Reconstructed production
				Add	Deduct				Closing inventory	Unrecorded production	
		Gallons									
5N	Haze gray No. 27 exterior camouflage	5		3,070			8,465				11,535
5NG	Navy green exterior camouflage	5					545				545
14	Anticorrosive, shipbottom	5		4,150				2,095			2,055
24	Glossy black exterior deck	1		1,000							1,000
27L	Light gray fire retardant interior	5					920				920
	Total		0	8,220	0	0	9,930	2,095	0	0	16,055

NO CLASS

		Gallons									
None	Rust preventive compound	1		5,000						288	5,288
None	do	5					11,455				11,455
	Total		0	5,000	0	0	11,455	0	0	288	16,743

CLASS G

		Pound									
331	Chrome yellow paste pigment	⅛					40				40
360	Raw sienna paste pigment	1/16		156							156
361	Burnt sienna paste pigment	1/16	188								188
	Total		188	156	0	0	40	0	0	0	384

OAKLAND EXHIBIT 2B

Constructed statement of cost to manufacture paint products, Norfolk and Mare Island Naval Shipyards

[General expenses at Mare Island computed on the same basis as Norfolk, i. e., 3.07 percent of total cost]

	Norfolk		Mare Island	
	Cost	Percent of total	Cost	Percent of total
Direct materials:				
Raw materials	$3,985,175.18	80.53	$2,743,574.60	80.48
Containers	261,299.02	5.28	224,787.27	6.59
Total	4,246,474.20	85.81	2,968,361.87	87.07
Direct labor	197,346.87	3.99	127,046.02	3.73
Total	4,443,821.07	89.80	3,095,407.89	90.80
Indirect manufacturing expenses	352,891.58	7.13	208,960.93	6.13
Total	4,796,712.65	96.93	3,304,368.82	96.93
General expenses	151,956.47	3.07	104,657.10	3.07
Total	4,948,669.12	100.00	3,409,025.92	100.00

OAKLAND EXHIBIT 3

DEPARTMENT OF DEFENSE,
MUNITIONS BOARD,
Washington, D. C., October 21, 1952.

Hon. HERBERT C. BONNER,
Chairman, Subcommittee on Intergovernmental Relations,
House of Representatives.

DEAR MR. CHAIRMAN: A staff report on coffee-supply operations within the Department of Defense has recently been completed by a study group within my office. In view of the interest you and your committee have indicated in this supply area, I am forwarding five copies of the report for information and assistance. The report will be submitted to the Munitions Board for review and approval at an early date.

The staff report on coffee is part of a staff study of the entire subsistence-supply field presently being conducted by the same study group. Certain problems such as the manner of financing, a determination of the servicing agency or agencies, and the establishment of stock objectives for roasted coffee have either been omitted in the attached report or, where necessary, covered on an interim basis. Such problems will be fully treated in the forthcoming staff report on subsistence which we expect will be ready for distribution early in calendar year 1953. I will provide you with copies of the subsistence staff report as soon as they are available.

It is probable that certain current practices in coffee-supply operations are at variance with those described in the attached staff report. Such reports are frequently overtaken by events in that when procedures that may appear unsound are disclosed, the operating agency often takes immediate corrective action rather than await formal direction. Since the staff report on coffee was initiated in November 1951, apparent discrepancies of this nature undoubtedly exist.

Mr. McNeil, the Assistant Secretary of Defense (Comptroller), informed you by letter dated July 11, 1952, that copies of the attached staff report would be furnished to your committee when distribution was made. I have advised him that copies are being furnished by this office.

Sincerely yours,

M. L. RING,
Rear Admiral, SC, USN,
Vice Chairman for Supply Management.

25062—53——25

STAFF REPORT ON COFFEE ROASTING OPERATIONS OF THE DEPARTMENT OF DEFENSE, OCTOBER 1, 1952

DEPARTMENT OF DEFENSE,
MUNITIONS BOARD,
Washington, D. C., September 15, 1952.

MEMORANDUM FOR THE VICE CHAIRMAN FOR SUPPLY MANAGEMENT

Subject: Supply systems study project—Coffee-roasting operations:

1. This report is part of the subsistence study undertaken by the Office of Supply, pursuant to the Department of Defense directive No. 4100.3 (250.11–2) of August 9, 1951, and as directed by the Munitions Board on September 6, 1951.

2. The conclusions and recommendations developed herein are peculiar to the coffee-roasting operations of the subsistence supply systems of the military departments and can be implemented independently. They will contribute to the efficiency of this operation and will result in savings in personnel, storage, and transportation costs.

O. A. SCHROETER,
Colonel, United States Army,
Acting Project Director, Supply Systems Study Project.

DEPARTMENT OF DEFENSE,
MUNITIONS BOARD,
Washington, D. C., September 15, 1952.

MEMORANDUM FOR THE PROJECT DIRECTOR, SUPPLY SYSTEMS STUDY PROJECT

Subject: Subsistence supply study—Coffee-roasting operations.

This report is part of the subsistence study project, undertaken pursuant to the DOD directive No. 4100.3 (250.11–2) of August 9, 1951, and as directed by the Munitions Board on September 6, 1951.

A draft of this report (dated May 15, 1952) was submitted for comment to the military departments, the Comptroller OSD, the Management Committee, and the Joint Chiefs of Staff, through the assistant project directors of the supply systems study project. Their comments were reviewed by the group and incorporated herein as appropriate.

JOHN C. VERHOEVEN,
Project Leader, Subsistence Study Group.
HUGH L. MAHONEY,
Assistant Project Leader, Subsistence Study Group.
Lt. Col. R. A. HOLZMAN,
Army Member.
Lt. Comdr. R. J. NEWMAN,
Navy Member.
Maj. THOMAS M. DAVIS,
United States Air Force Member.

PART I. INTRODUCTION

AUTHORITY

1. On August 9, 1951, Department of Defense directive No. 4100.3 (250.11–2) established within the Munitions Board a supply-systems study project, the purpose of which is "* * * to develop and recommend such changes to existing organization, policies, standards, and procedures governing the supply operations within the Department of Defense as will maintain or increase military effectiveness and produce the optimum efficiency and economy of these supply operations from the initial requirements and resources planning stage to final consumption or other disposition" (appendix I).

2. Pursuant to the above, the Munitions Board on September 6, 1951, approved the preparation of a study on subsistence under the supply systems study project.

SELECTION OF COFFEE AS THE INITIAL REPORT

Review of previous studies of the Department of Defense subsistence-supply systems indicated that the coffee-roasting operations of the military departments represented an area in which economies could be achieved by the further development of cross, common, or joint servicing agreements to reduce cross-hauling of the green and roasted product. It was also considered that the development of a report on this item would return tangible dividends to the Munitions Board staff in the form of training of research personnel which would reduce unproductive effort when studying the entire subsistence-supply systems of the four services.

SCOPE OF THE REPORT

Review of the functions concerned with the coffee roasting, grinding, and packaging operations of the military departments, the financing, procurement and storage of green bean, and the distribution of roasted coffee to military messes and other consumers, including sales by commissary stores.

STATEMENT OF THE PROBLEM

1. To determine the relative effectiveness, efficiency, and economy which can be achieved under either—

(*a*) Operation by the military departments of coffee-roasting plants with distribution to military consumers through military distribution channels on an area or other basis; or

(*b*) Procurement of the end product (roasted, ground, and packaged coffee) from commercial producers or vendors for direct delivery to military distributing or consuming activities; and

2. To develop the policies, standards, and procedures which should obtain to achieve the objectives of the supply-systems study project under (*a*) or (*b*) above, or a combination thereof.

DEVELOPMENT OF REPORT

The period from January 1, 1951, to October 1, 1951, was selected as a time base for study. Initial efforts were directed toward extracting data from existing documents. It was immediately apparent that the required statistical and factual information was not available from these sources. In these instances it was procured from the military departments, Government agencies, and private concerns listed below:

Military activities:

- Office of the Quartermaster General, United States Army, Washington, D. C. D. C.
- Bureau of Supplies and Accounts, United States Navy, Washington, D. C.
- Office of Quartermaster General, Headquarters, Marine Corps, Washington, D. C.
- Headquarters, United States Air Force, Washington, D. C.
- Bolling Air Force Base, Washington, D. C.
- Fort George G. Meade, Md.
- Naval Receiving Station, Anacostia, Washington, D. C.
- Marine Corps School, Quantico, Va.
- Naval Air Test Station, Patuxent, Md.
- Atlanta General Depot, United States Army, Atlanta, Ga.
- Naval Supply Facility, Brooklyn, N. Y.
- New York Quartermaster Purchasing Agency, United States Army, New York, N. Y.

Government agencies:

- Department of Agriculture, Washington, D. C.
- Department of Commerce, Washington, D. C.
- Office of Price Stabilization, Washington, D. C.
- General Services Administration, Washington, D. C.
- Veterans' Administration, Washington, D. C.

Private concerns:

- Wilkins Coffee Co., Washington, D. C.
- Great Atlantic & Pacific Tea Co., New York, N. Y.
- Jewel Tea Co., New York, N. Y.
- Harrison Coffee Co., New York, N. Y.
- National Coffee Association, New York, N. Y.

The report is divided into seven parts. Part II is a list of the recommendations. Part III, which is the essence of the report, contains the analyses and conclusions which support the recommendations. Part V is the portrayal of current departmental policies and operations, arranged by function and by military service. Duplication will be noted, notwithstanding concerted effort to eliminate it. In order to preserve continuity and clarity in part III, it was necessary and desirable to combine functions because of their relationship to each other.

Part II. Recommendations

The following recommendations are predicated on the analyses and conclusions outlined in part III of this report.

It is recommended:

1. That the military departments continue to roast, grind, package, and distribute coffee (pt. III, sec. 1).

2. That the military roasting plants vacuum pack all coffee to be used in the zone of interior to insure freshness, except that roasted and ground coffee in bags may be furnished to installations immediately proximate to military roasting plants (pt. III, sec. 2).

3. That the military departments operate the four roasting plants at Brooklyn, Atlanta, Oakland, and Seattle and that each plant remain under the direction and control of the owning department (pt. III, sec. 3).

4. That the Department of the Army phase out of operation the Chicago roasting plant consistent with economical utilization of on-hand green-bean inventories and the establishment of a supply support agreement with the Department of the Navy (pt. III, sec. 3).

5. That the Department of the Army phase out of operation the commercial contract at Denver, Colo., consistent with the economical utilization of on-hand green-bean inventories and the establishment of a supply support agreement with the Department of the Navy (pt. III, sec. 3).

6. That the Department of the Army phase out the commercial contracts at San Antonio, Tex., consistent with the economical utilization of on-hand inventories at the San Antonio depot and the establishment of supply support of vacuum-packed coffee by the Army plant at Atlanta, Ga. (pt. III, sec. 3).

7. That the Department of the Navy phase out of operation the Marine Corps' Philadelphia roasting plant consistent with the economical utilization of on-hand green-bean inventories and the establishment of a supply support agreement with the Department of the Army (pt. III, sec. 3).

8. That each roasting plant operated by the military departments be assigned a mission for procuring, roasting, grinding, packaging, and packing coffee to meet the requirements of all service installations on an area basis with due consideration to the most favorable transportation costs and plant capacities. This assignment shall include financing of plant operating costs, and the financing of all materials necessary to produce the finished product. Roasted coffee shall be transferred between the services on a reimbursable basis (pt. III, sec. 4).

9. That roasted and ground coffee in vacuum-packed containers be shipped in carload or truckload lots, to the maximum extent practicable, directly from military roasting plants to consuming activities (pt. III, sec. 4).

10. That the maximum on-hand inventories of green-bean coffee stored in the zone of interior will not exceed 120 days of supply (pt. III, sec. 5).

11. That the single-service purchase assignment for coffee be continued and that closer liaison be established between the inventory control units of the Army and Navy and the purchasing office (pt. III, sec. 7).

12. That green coffee used by the military roasting plants in the zone of interior should, to the maximum extent possible, be stored at the roasting plants (pt. III, sec. 9).

13. That green coffee purchased for roasting in overseas areas be shipped, to the maximum extent possible, directly from vendors to ports of embarkation (pt. III, sec. 9).

14. That the military departments develop uniform standards for the containers used for packaging and shipping roasted and ground coffee (pt. III, sec. 10).

15. That an ad hoc committee of military department representatives be established to implement these recommendations under the coordinating responsibility of the Munitions Board.

PART III. ANALYSES AND CONCLUSIONS

SECTION 1. COMMERCIAL VERSUS MILITARY OPERATED ROASTING PLANTS

The effectiveness of military subsistence supply would not be improved by the disestablishment of military plants in favor of commercial facilities to roast, package, and distribute the coffee required by the military services in the continental United States or in overseas areas.

While commercial capacity is available to roast coffee for the services, military requirements with respect to inventories, specifications, and packaging militate against an economical operation by commercial processors. Estimates from two major coffee distributors for comparable blends to that used by the services quoted prices, f. o. b. their roasters, of $0.725 and $0.705 per pound in 50-pound and 100-pound bags, respectively. At the time these quotations were furnished, the Bureau of Supplies and Accounts, Department of the Navy, in compliance with arrangements made with the House of Representatives, Committee on Expenditures in the Executive Departments, conducted a detailed cost audit of their coffee-roasting plants for the purpose of determining the cost of producing each of the military standard units of issue of roasted coffee (50-pound bags and 20-pound vacuum-packed tins) packaged and ready for shipment from the plants. Constructive cost elements, such as warehousing of both green coffee and packaging material, depreciation, property taxes, insurance, and similar expenses which are not normally taken into account in determining costs of Government productive operation, were included so that the costs developed might be compared with similar commercial operations. This audit is incorporated in the report as appendix II. It has been analyzed by the auditors of a large local commercial coffee-roasting firm who advise that the cost analysis included, and was comparable to, all usual costs of a commercial operation.

The above-mentioned quotation from a commercial roaster of $0.725 per pound in 50-pound bags, which is the size the service use, compares with the military cost figure of $0.6667 per pound, a difference of 0.058 per pound. On the basis of 88,000,000 pounds roasted by the Armed Forces during 1951, the roasting of coffee by the services represents a saving to the Government of approximately $5,000,000 over the commercial roasters' quoted figure. If the military departments discontinued roasting coffee, it is anticipated that the above cost spread might be further widened. This supposition is predicated on testimony in Senate Report No. 2377, Utilization of Farm Crops—Price Spreads—Coffee, where it was shown that coffee roasters in the period from 1942 to 1947 customarily worked on a margin after accounting for shrinkage of just under $0.12 to $0.15 per pound. The report further indicated that, with the increase in the price of green coffee early in 1950, this margin was increased to $0.18 per pound. It is highly significant that the cost analysis at the Navy's Oakland plant showed that the cost of the green coffee, after allowing for shrinkage, equaled $0.6516 per pound while the entire cost of roasted coffee packaged in 50-pound bags was $0.6664 per pound, or a margin of only $0.0148 per pound between the acquisition cost of green coffee and the roasted and bagged product.

Consideration was given to the military departments, on the other hand, supplying the green coffee and the packaging material and utilizing commercial companies only to perform the function of roasting, grinding, and bagging coffee. Several such contracts were made during World War II, and the Army still has in force a few contracts with roasters in San Antonio, Tex.; and Denver, Colo. The contract prices vary with territory and at San Antonio, for instance, the current quotation is $0.006499 per pound of green bean, or $0.0075388 per pound of roasted coffee. This quotation is comparable to the costs of the military departments for this function as evidenced by the aforementioned study at Navy's Oakland plant wherein this cost was determined to be $0.0072757 per pound of roasted coffee. Roasting cost, however, is a minute segment, representing a proportion of about 1 percent of the end product. It must also be considered that 50 percent of the roasted coffee is, and must be, packaged in 20-pound vacuum cans for shipboard and overseas use. If commercial firms vacuum-packed coffee for the services, they would have to install considerable equipment for this type of package which is used only by the military and, yet, successful bidders have no assurance that they would continue to be awarded the contract in subsequent years. Moreover, if commercial roasters performed the entire service of supplying the green bean as well as roasting and packing coffee for the military, it

would necessitate, even at the current strength of the Armed Forces, an additional working capital of over $30,000,000 merely to maintain the stock levels of green-bean inventory considered necessary by the services, as well as the warehouse space to carry these stocks. For these basic reasons, the National Coffee Association informed the Supply Systems Subsistence Study Group that the coffee industry as a whole does not desire that the military departments cease operating their own coffee roasters (appendix 4 and 5). The National Coffee Association of the United States of America represents the coffee roasters, importers, and brokers who account for more than 90 percent of all the green coffee imported into the United States.

From the military departments viewpoint, and based on the experience encountered during World War II, the matter of quality control proved to be the most troublesome single factor in dealing with commercial roasters who had contracts to roast military-owned coffee. This situation resulted from the small unit profit which caused frequent substitution of undergrade coffee for the Government-owned product. The problem of quality control was further accentuated by the attempts of many of the commercial roaster contractors to effect economies by either roasting coffee under inadequate temperature conditions or not roasting the coffee for the required period of time. Because of the large number of comparatively small roasters spread throughout the country which would be required under such a system, these shortcuts are not readily detectable even under rigid inspection arrangements. In addition to the problem of quality control, such an operation is basically ineffective and uneconomical because of the double handling and hauling of the green coffee from the military activity to the commercial roasting plants.

In contrast with the military departments, the General Services Administration (in region 3) purchases roasted bean coffee in 80-pound bags from commercial roasters, awards being made on a sample of green coffee sent by each bidder. In the San Francisco region the General Services Administration requirements are purchased from the Navy's Oakland plant in 20-pound vacuum tins. In other regions coffee is purchased in commercial size vacuum tin containers, usually of a brand name. The General Services Administration specification for roasted-bean coffee in 80-pound bags calls for a straight Santos 4 coffee (or equal) which is slightly less costly than the military blend of 70 percent Santos 4 and 30 percent Colombians. Information as to the total purchased by the General Services Administration was not available. However, the total issues of coffee in 80-pound bags from General Services Supply Centers during fiscal year 1951 amounted to $302,813.21. In addition, $18,323.54 of coffee in commercial size vacuum tins were issued in fiscal year 1951. The total issues from General Services Administration centers in fiscal year 1951 represent about 1 percent of military volume during the same period. The prices paid by the General Services Administration during the year 1951 for roasted-bean coffee in 80-pound bags ranged from $0.5869 to $0.6090 per pound. When these prices are analyzed, and they include the cost of packaging material, transportation, roasting, as well as a nominal profit to the vendor; it is impossible to reconcile certain of these prices with the green coffee spot market price. The range between the low and high spot green coffee prices on the New York Coffee and Sugar Exchange during 1951 for Santos 4's was between $0.5305 and $0.555 per pound. Based on the inescapable average 16 percent shrinkage in weight when coffee is converted from a green to a roasted product, the spot market prices in terms of roasted coffee are equal to $0.6254 to $0.6438 per pound. Exhibit I is a comparison of the prices paid by the General Services Administration and the prevailing spot market price for green coffee at the date of the award. The question naturally arises, how is it possible for commercial firms to sell processed coffee at prices substantially lower than the prices that could be realized by disposing of the green coffee in the first place on the coffee exchange. This matter was discussed with representatives of the Office of Price Stabilization and the National Coffee Association, both of whom state that the specification coffees could not be furnished at these prices except at a loss to the vendors. Six of the large competitive chain stores use straight strictly soft Santos 4's and/or strictly soft Parana 4's in their popular selling brands of coffee in 1-pound paper bags. The average cost of green coffee delivered at their processing plants amounted to $0.5393 per pound. The average cost of

the processed and packaged coffee at their roasting plants totaled $0.6702 per pound, and a mark-up is yet to be added. It is difficult to understand how commercial roasters supply practically identical coffees to a Government agency at an average of $0.07 a pound less than the cost of production in six of the large competitive chain stores. This matter was discussed with the General Services Administration and they are looking into the situation. They have recently conferred with the Navy on the possibility of procuring roasted coffee for region 3 from the Navy's Brooklyn plant on a basis similar to that now followed in their California region.

The Veterans Administration similarly purchases roasted coffee from commercial companies on a sealed-bid basis. The Veterans Administration operates 171 hospitals, centers, and domiciliaries throughout the country which are geographically divided into four areas. Contracts are awarded quarterly to bidders submitting the lowest aggregate delivered price in each area. Some consuming activities require four drop shipments while the balance require six deliveries during every 3-month period. The Veterans Administration uses about 4,500,000 pounds of roasted coffee annually, or about 5 percent of the military department's consumption. Their specification calls for any combination of coffees which will, in the cup, match a deluxe blend, consisting of 70 percent Colombians and 30 percent Santos 2's or 3's. This is a considerably more expensive basic blend than that used by the military departments. Prices paid by the Veterans Administration in December 1951 ranged from $0.645 to $0.6622 net per pound, which prices as in the case of the General Services Administration, could not be reconciled with the price of green coffee on the exchange (exhibit 1). In the first quarter of fiscal year 1953 the Veterans Administration revised their specifications so that a specific blend consisting of 60 percent Colombians and 40 percent Santos three-fourths would be used to meet their coffee requirements. According to a Veterans Adminstration statement: "These specifications insure a specific blend of coffees and eliminate the use of inferior growths used in small quantities which cannot be detected in cup tests." The price range per pound on the first contracts awarded under the new specification ranged from $0.6410 to $0.7683, an average $0.67536 per pound. When the green coffee spot market price and the shrinkage factor are considered, certain of the coffees are being sold to the Veterans Administration at a price lower than what the vendor could realize by disposing of the green bean on the market without the necessity of packaging and shipping the processed product. This matter was similarly brought to the attention of the Veterans Administration.

* * *

EXHIBIT 1

General Services Administration—Delivered prices of roasted bean coffee to region 3

[Territory includes Washington, Maryland, Delaware, Virginia, and parts of Pennsylvania and West Virginia]

[Federal Specification HHH-C-571—Santos 4's roasted bean—80-pound bags]

Successful bidder	Locations	Date of award	Contract price per pound delivered roasted bean	Spot market price of Santos 4's per pound at date of award	
				Green	Roasted [1]
Dannemiller Coffee Co	New York, N. Y.	Nov. 13, 1951	$0.6004	$0.5450	$0.6507
Do	do	Aug. 3, 1951	.5869	.5345	.6360
Do	do	June 27, 1951	.5987	.5350	.6360
B. Fisher & Co	do	May 3, 1951	.6063	.5412	.6440
Dannemiller Coffee Co	do	Feb. 21, 1951	.6090	.5538	.6590
Richeimer Coffee Co	Chicago, Ill.	Jan. 30, 1951	.6090	.5512	.6559

Veterans' Administration—Delivered prices to all Veterans' Administration installations of roasted-bean coffee for the third quarter of fiscal year 1952

[Federal Specification HHH-C-571: 30 percent genuine Madelin Excelso, finest quality; 40 percent genuine Manizalos Excelso, finest quality; 30 percent genuine Santos, 2 and 3, finest quality. Roasted bean—80-pound bags]

Successful bidder	Locations	Date of award	Contract price per pound delivered roasted bean	Spot market price of VA blend per pound at date of award	
				Green	Roasted [1]
Dannemiller Coffee Co	New York, N. Y	Dec. 10, 1951	$0.6450	$0.5900	$0.7043
Detworth & Co	Orlando, Fla	do	[2].6790	.5900	.7043
Coffee Corps	Chicago, Ill	do	.6525	.5900	.7043

[1] This price (which is a converted cost and reflects the 16 percent shrinkage in roasting) does not include (1) cost of roasting, (2) packaging, (3) transportation, or (4) profit.
[2] 1 percent discount 20 days.

* * *

SECTION 2. VACUUM PACKING OF ZI COFFEE REQUIREMENTS

It is the conclusion of this group that the military coffee roasting plants should vacuum pack coffee for use in the zone of interior. The keeping qualities of roasted coffee, based on an exhaustive study conducted by Drs. P. W. Punnett and W. H. Eddy of Teachers College, Columbia University, conclusively indicate that there are definite limitations on the time to be allowed to elapse between roasting and brewing if a good brew is to be obtained (exhibit II). The following table is a liberal interpretation of these time limits:

Days after roasting	Taste quality of brew	
	Roasted and ground (in bags)	Roasted, unground (in bags)
0 to 3	Excellent	Excellent.
3 to 5	Good	Very good.
5 to 8	Fair	Good.
8 to 10	Poor	Fair
10 to 15	Very poor	Do.
15 to 20	Vile	Poor.
20 to 30	Unfit to drink	Very poor.
30 to 47	do	Vile, but can be used.

* * * * * * *

EXHIBIT 2

[Excerpt from volume IX, Quartermaster Food and Container Institute for the Armed Forces, dated October 15, 1946]

FRESHNESS AND STALENESS IN COFFEE

1. The delightful flavor and aroma of a good cup of coffee are largely dependent upon freshness. Only in fresh coffee does one find all of the pleasing flavor and aroma that has made coffee the world's leading nonalcoholic beverage. Conversely, staleness is the arch enemy of coffee flavor. Freshness is all of the desirable flavor and aroma found in freshly roasted, ground, and brewed coffee. Staleness is more than the mere absence of freshness. It is a distinct, undesirable, stale flavor. Staleness is more pronounced after the brew has been allowed to cool considerably.

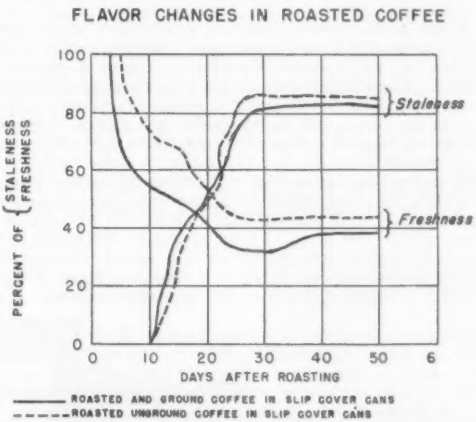
2. Brazil, the world's greatest coffee-producing country, considers this question of coffee freshness so important that a law forbids the sale of coffee which has been roasted more than 20 days, or more than 10 days if the coffee is ground.

3. Coffee that is roasted, cooled, ground, and then brewed contains 100 percent of its freshness; but if it is not brewed until the second day after roasting and grinding, 20 percent of the original coffee flavor or freshness has disappeared. If

the roasted and ground coffee has been held for 20 days and then brewed, the original coffee flavor or freshness has dropped to about 50 percent and staleness has developed to 50 percent.

4. Drs. Percy W. Punnett and Walter H. Eddy, of Teachers College, Columbia University, made an exhaustive study of this subject over a period of 2 years. They correlated the pressure evolved by gases from roasted coffee with the loss of freshness and development of staleness, and developed a standard test that indicates numerically just how much freshness and staleness a coffee contains at any time after roasting. Gas pressures were accurately measured by the use of manomter tubes and compared with flavor finding of expert cup testers.

5. The following chart, prepared by Punnett and Eddy (research chemists), illustrates the loss of freshness and development of staleness in roasted and ground and roasted unground coffee from the day of roasting to the forty-seventh day thereafter.



From this chart it is readily apparent that there are definite limitations to the time that can elapse between roasting and brewing if a good brew is to be obtained. The following table is a liberal interpretation of these time limits.

Days after roasting	Quality of brew	
	Roasted and ground	Roasted unground
0 to 3	Excellent	Excellent.
3 to 5	Good	Very good.
5 to 8	Fair	Good.
8 to 10	Poor	Fair.
10 to 15	Very poor	Do.
15 to 20	Vile	Poor.
20 to 30	Unfit to drink	Very poor.
30 to 47	do	Vile, but can be used.

* * *

The flavor and aroma of a good cup of coffee is dependent upon freshness. Vacuum packing coffee is considered to be the only method which will retain coffee freshness for extended periods. While bags prevent contamination, they do not contribute to the keeping qualities of coffee. It is pointed out, however, that coffee does not lose its stimulating effect with age, nor is there evidence that it becomes deleterious to health.

The military departments buy fine grades of green cofees which are comparable to those used in the popularly accepted commercial brands, yet the roasted product that is packaged in bags is frequently "unfit to drink," by the foregoing standards, because of the time element required for distribution between the time the coffee is roasted and its final consumption. As far as can

be determined this coffee is consumed in messes or sold in commissary stores. In order to insure fresh coffee in messes, roasted and ground coffee in bags would have to be delivered and consumed within 8 days. Maintenance of a high-speed distribution system to accomplish this would require a disproportional amount of administrative supervision with respect to requisitioning, transportation, and requirements planning. It is highly questionable whether this could be accomplished with the relatively few plants that are operated by the services. A large commercial concern which maintains such a high-speed system owns and operates 19 plants in the eastern zone to support their retail outlets. It is a logical conclusion that the cost of inventories, storage space, personnel, plant equipment, and administration incident to a dispersed operation would offset the additional cost of vacuum packing coffee in the relatively inexpensive 20-pound containers. It was found that other large commercial coffee companies, having national distribution, vacuum pack their coffee exclusively to guarantee freshness.

About half of the military departments' production of roasted coffee in the zone of interior is packaged in 50-pound bags. Bagged coffee is for consumption in the zone of interior, while vacuum-packed coffee in 20-pound cans is for use afloat and overseas. The cost of vacuum packing in 20-pound cans, together with carboard cartons, runs between 2 and 2½ cents per pound more than bagging, varying with material costs. By using the larger figure, it is estimated, based on the 1951 volume of bagged coffee produced, that it would cost approximately an additional $1,000,000 annually for the military departments to vacuum pack all coffee. With respect to the use of critical material for this purpose, it has been determined that the composition of a 20-pound can consists of 99½ percent black plate and one-half of 1 percent tin. Thus, the proportion of critical tin in cans would amount to less than 15 tons annually, while the less critical black plate would amount to 3,000 tons, based on last year's volume. This tonnage is not of significant importance, according to a representative of the National Production Authority. Moreover, there would be some recovery of the tin by sale of used cans.

It is the judgment of the group that the expense of vacuum packing coffee will be outweighed by the following offsetting factors, the most decisive and important consideration of which is the first:

1. Fresh coffee will be always available to the messes, without the necessity of maintaining a high-speed distribution system (exhibit III).

EXHIBIT 3

FINDINGS OF WORKING GROUP RELATING TO AGE OF COFFEE IN WAREHOUSES AT SELECTED INSTALLATIONS

Naval Receiving Station, Anacostia, D. C. (November 23, 1951):
Type:
Roasted and ground, 50-pound sacks.
On hand, 13,650 pounds.
Roasting date (oldest on hand), June 1951.
Roasting date (newest on hand), July 11–20, 1951.
Age of coffee, 4 to 5 months.

Bolling Air Force Base, Washington, D. C. (November 23, 1951):
Type:
Roasted bean, 50-pound sacks.
On hand, 2,100 pounds.
Roasting date (all in stock), November 15, 1951.
Age of coffee, 9 days.

Fort Meade, Md. (November 26, 1951):
Type:
Roasted bean, 50-pound sacks.
On hand, 13,850 pounds.
Roasting date (oldest on hand), October 31, 1951.
Roasting date (newest on hand), November 15, 1951.
Age of coffee, 11 to 26 days.

Marine Corps Station, Quantico, Va. (November 27, 1951):
Type:
Roasted bean, 80-pound sacks.
On hand, 22,400 pounds.
Roasting date (oldest on hand), October 26, 1951.
Roasting date (newest on hand), October 29, 1951.
Age of coffee, 26 to 30 days.

Naval Air Station, Paxtuxent, Md. (December 27, 1951):

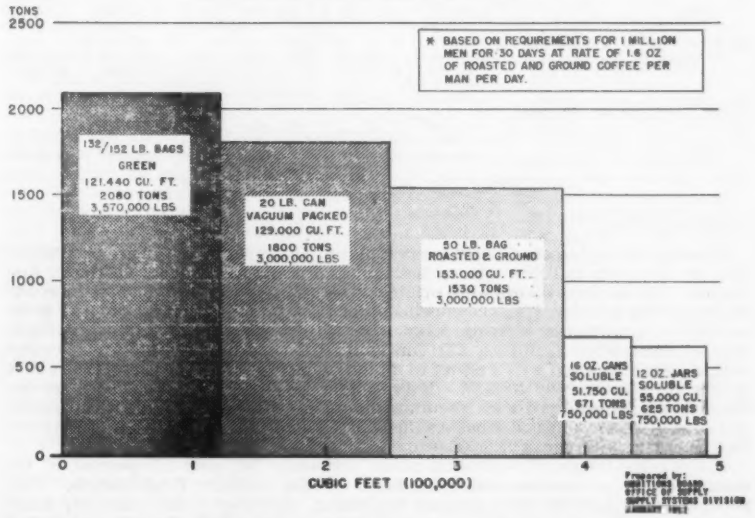
Type:
Roasted bean, 50-pound sacks.
On hand, 5,550 pounds.
Roasting date (oldest on hand), July 21–31, 1951.
Roasting date, newest on hand), August 11–20, 1951.
Age of coffee, 4 to 5 months.

* * *

2. Even rates of production at plants, and thereby eliminate peaks with overtime pay followed by valleys with high costs due to low production.
3. Placing on inactive status the marginal plants in Philadelphia and Chicago.
4. Discontinuance of uneconomical roasting contracts with commercial roasters.
5. Continue supplying bagged roasted coffee to activities immediately proximate to roasting plants which will also eliminate the need for an expensive-type multiwall bag.
6. Palletize the 20-pound cans for use in the zone of interior and reduce costs by using a lightweight carton.
7. Permit shipments in palletized unit loads thus substantially reducing handling costs.
8. Vacuum-packed coffee requires some 20 percent less storage space than roasted, bagged coffee (chart II).

COMPARISON OF SHIPPING WEIGHTS AND CUBES*

GREEN-ROASTED AND GROUND-SOLUBLE COFFEE



9. Substantially reduce frequency of deliveries and attendant administrative workload.
10. Minimize less-than-carload shipments.
11. Distribute roasted and ground coffee through the depot distribution system.
12. Eliminate surveys, necessary because of staleness or contamination.
13. Reduce breakage and spillage associated with bags.
14. Improve quality and yield by having a uniform grind.
15. Eliminate procurement and maintenance of grinders at consuming activities, and recover man-hours expended in this operation.
16. Permit stock levels of processed coffee at depots and stations, thus increasing the emergency expansion potential of each service.

In addition to the foregoing reasons for recommending vacuum packing coffee for use in the zone of interior is the consideration that many food products that

would otherwise be highly perishable, such as corn, tomatoes, beets, and the like, are packaged in the proportionately more expensive 1-, 2-, and 3-pound cans. The price of these cans varies from 3 cents to 7 cents, or from 8 percent to 25 percent of the sales price. The cost of 20 pounds of roasted and ground coffee is about $13, the can cost is 41 cents, or about 3 percent of the cost.

SECTION 3. LOCATION AND CAPACITY OF MILITARY ROASTING PLANTS

The military departments operate six coffee-roasting plants within the continental United States. In addition, the Army has contracts with three commercial roasting firms to roast Army-owned, green coffee. The location of these plants is shown in the following tabulation, together with an average of the actual monthly production during 1951 at the respective plants compared with rated capacity based on one 8-hour shift, 21 working days per month:

	Roasted bagged	Vac-Pak	Total	Percent of total	Rated capacity roasting (pounds)	
					Total bagged	Total Vac-Pak
Army plants:						
Atlanta, Ga	670,000	180,000	850,000	12.7	1,250,000	1,250,000
Chicago, Ill	255,000		255,000	3.8	625,000	
Seattle, Wash.[1]	113,000	1,300,000	1,413,000	21.2	625,000	625,000
San Antonio, Tex.[2]	372,000		372,000	5.3		
Denver, Colo.[2]	95,000		95,000	1.4		
Total	1,505,000	1,480,000	2,985,000	44.4	2,500,000	1,875,000
Navy plants:						
Brooklyn, N. Y	1,100,000	400,000	1,500,000	22.5	1,900,000	[3] 1,500,000
Oakland, Calif	600,000	1,500,000	2,100,000	31.4	1,250,000	1,250,000
Total	1,700,000	1,900,000	3,600,000	52.9	3,150,000	2,750,000
Marine Corps plants: Philadelphia, Pa	117,000		117,000	1.7	150,000	
Total	3,322,000	3,380,000	6,702,000	100.0	5,800,000	4,625,000

[1] Operates 2 shifts.
[2] Commercial contracts.
[3] After Mar. 15, 1952.

It is significant to note from this table that 87.5 percent of the entire production was at the four military plants located at Brooklyn, Atlanta, Oakland, and Seattle. While these plants were originally established to serve the best interests of the parent activity, it is the conclusion of the group with respect to (1) proximity to concentrations of Army, Navy, Air Force, and Marine Corps installations, (2) transportation facilities, (3) contiguity of ports of entry of green coffee, and (4) their location with respect to major supply installations, that these coffee plants are strategically located. It is further important to note that these are the only plants equipped with vacuum packing machinery and have a full potential capacity on a multishift basis sufficient to supply roasted coffee to the Armed Forces having a strength of 8,000,000 men.

The Marine Corps' Philadelphia plant accounted for only 1.7 percent of the entire volume of roasted coffee produced by the military departments. This plant does not have vacuum packing equipment. Because of the relatively small amount of coffee roasted, its operating costs do not reflect the economies that normally result from volume production. For these reasons, Marine Corps activities located in the East would be more economically and effectively serviced with vacuum-packed coffee directly from the roasting plants at both Brooklyn and Atlanta. Under these circumstances, this plant should be phased out of operation when the present inventory of green bean becomes exhausted.

The Army plant located in Chicago roasted coffee in an amount equal to 3.8 percent of the total production during 1951. Cost analysis based only on the operating expenses covering utilities and labor elements run about 200 percent more than at the Atlanta plant. The reason for the substantially higher roasting

cost is due to the small volume of production. There is no appreciable difference in the freight rate from Santos, Brazil, direct to Chicago via New Orleans, than the combined rate of importing green coffee at Brooklyn to be roasted and vacuum packed and then shipped to the Chicago area. This plant should be placed on an inactive status when its present large supply of green bean becomes exhausted. Reshipping the green coffee to Brooklyn for roasting is not practicable, as the one-way freight, alone, would cost more than roasting the coffee at the Chicago plant.

The stock levels of green coffee at the San Antonio Depot as of October 1951 were sufficient to last 2 years, based on average usage. Commercial contracts to roast coffee are inefficient and costly, due mainly to the double handling of the green bean from the depot to the roaster and the administration incident thereto, coupled with the additional inspection required to assure quality control, which includes the avoidance of such matters as short-roasts and the substitution of inferior coffee for Government-owned green coffee. There are two commercial contractors employed in the San Antonio area. It is, incidentally, difficult to reconcile the fact that they were awarded contracts on a formal bid basis on which they submitted identical bids to roast at $0.006499 per pound and roast and grind coffee at $0.006999 per pound. These contractors do not have equipment to vacuum pack in 20-pound cans. Nevertheless, the contracts should be continued for the time being, in view of the large green-bean inventory, and the impracticability of reshipping the green coffee to Atlanta to be roasted and vacuum packed and then returned to the San Antonio Depot for distribution. The capacity of the Atlanta plant is adequate to support the area.

The volume of roasted coffee produced for the services at the commercial roasting plant at Denver averages about 95,000 pounds monthly, or 1.4 percent of Department of Defense production. The small volume, representing two carload shipments per month, could be more effectively furnished with vacuum-packed coffee direct from Oakland. This contract should not be renewed.

In the event increased military consumption exceeds the full capacity of the roasting plants, consideration should be given to the utilization of portable roasters in areas of concentrated troop strength, in the same manner in which they are used in EUCOM before entering into commercial contracts. Since there are 18 portable roasters stored at zone of interior depots, no initial capital investment would be required to determine their effectiveness. The normal rated capacity of a portable roaster is sufficient to roast coffee for some 25,000 men, and its peak capacity could, of course, be substantially increased when operated on a multishift basis. The present cost of a portable roaster is in the neighborhood of $7,000. If it becomes necessary to expand coffee-roasting operations to the extent of constructing an additional plant, priority consideration should be given to locating it in the San Antonio area because of the concentration of military installations. It is estimated that the cost of a modern plant, equipped to produce monthly 1,000,000 pounds of vacuum-packed coffee, with an overflow capacity of 250,000 pounds of bagged, roasted coffee, on a one-shift basis, would be $250,000. Commercial capacity should be utilized to the maximum extent before additional equipment is procured or plants established.

Any future expansion program should give due consideration to the rapidly growing consumer acceptance of soluble coffee, exhibit IV, and the increased cup output that may be achieved by combination of roasted and soluble coffee now in the experimental stage in the coffee industry. The group did not find any instance of a large restaurant chain using a soluble coffee in place of regular brewed coffee. While exhibit IV indicates increased use of soluble coffee, the increase cannot be interpreted to mean that soluble coffee has replaced brewed coffee in the precentages shown. Rather, a more logical conclusion is that soluble coffee is a beverage the consumer acceptance for which can be more properly ascribed to its preparation convenience. Exhibit IV reflects that 16.4 percent of total coffee volume sold was soluble. The military departments in 1951 purchased $10 million of soluble coffee for special use rations, which represents about 10 percent of the total purchases of all coffee consumed as a beverage by the military departments. The Quartermaster Food and Container Institute is conducting research on the stability and acceptability of soluble coffee. Recent tests reveal that solubles have comparative body and flavor, but are not comparable in aroma to good quality freshly brewed coffee.

EXHIBIT 4.—*Soluble coffee usage, 1947 to 1951* [1]

	Percent of total coffee volume sold as solubles					Percent of families buying soluble coffees				
	1947	1948	1949	1950	1951	1947	1948	1949	1950	1951
Albany					[2] 21.6					
Appelton, Wis.					[2] 12-15			16.8	15.6	16.6
Atlanta							13.6	16.5	17.2	
Birmingham	20.0	16.8	23.2	26.6	34.8					
Boston					[3] 15.0				14.3	16.9
Charlotte					[2] 27.5					
Chicago	19.6	21.5	25.4	36.1	[4] 45.9					
Cincinnati		20.2		23.7		30.4	35.4	32.0	32.6	38.2
Cleveland			8.9							
Columbus										10.1
Des Moines					[2] 13.0					
Detroit					[4] 14.2					16.3
Duluth-Superior					14.4					
Fort Wayne							16.4			
Fresno		9.6	10.3	16.7		22.9	26.7	24.4	22.2	25.7
Hartford			7.1	14.9	[5] 11.8	21.9	20.2	21.1	36.1	36.9
Illinois					[6] 9.3					
Indianapolis							19.7	21.3	20.9	29.5
Los Angeles										16.5
Memphis										
Milwaukee		14.5	16.2	17.2	[7] 26.1					11.5
Modesto						35.7	42.4	42.0		[2] 52.0
New York										
Omaha										
Philadelphia [8]					18.0					22.6
Richmond										
Rochester										
Sacramento		9.4	9.1	12.2						
Salem	4.9	5.7	6.4	7.6	10.3					
St. Louis						12.6	9.6	13.7	8.7	10.8
St. Paul	5.9	6.4	7.2	10.0	10.9					
San Francisco										25.5
Jan Jose							17.7	18.3	21.8	21.6
Seattle					11.8					
South Bend					5.1					13.3
Spokane				15.5						
Toledo										39.4
Washington, D. C.				10.0						
Wilmington, Del.					[2] 10.1					
Winston-Salem					18.5					
Averages	14.1	13.0	12.6	17.7	16.4	24.7	22.4	22.9	18.9	23.8

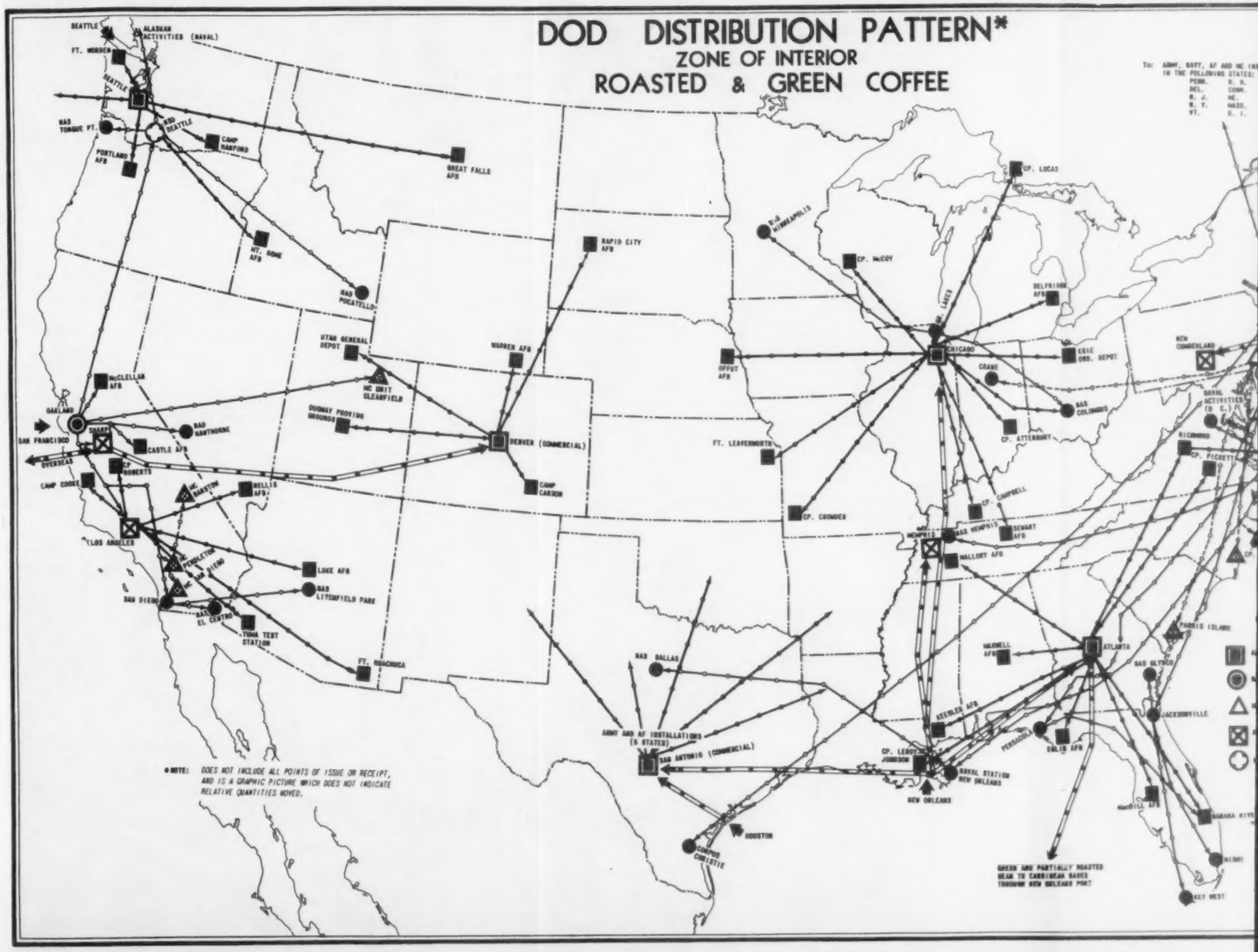
[1] From data furnished by the Harrison Co., New York, N. Y.
[2] Estimated.
[3] Low.
[4] High.
[5] First 9 months.
[6] First 6 months.
[7] 24.3 low to 29.2 high in 1951.
[8] 70 percent estimated increase in 1951 over 1949.

Prepared by Munitions Board, Office of Supply, Supply Systems Division, January 1952.

SECTION 4. AREA DISTRIBUTION OF ROASTED AND GROUND COFFEE

The Army distributes roasted coffee through the quartermaster market centers, the depot distribution system, or directly from roasting plants to the consumer, and generally on a weekly cycle. The Navy similarly distributes through depots and directly from roasting plants. There is no set delivery frequency schedule, and apparently little consideration is given to the limited keeping qualities of roasted, bagged coffee.

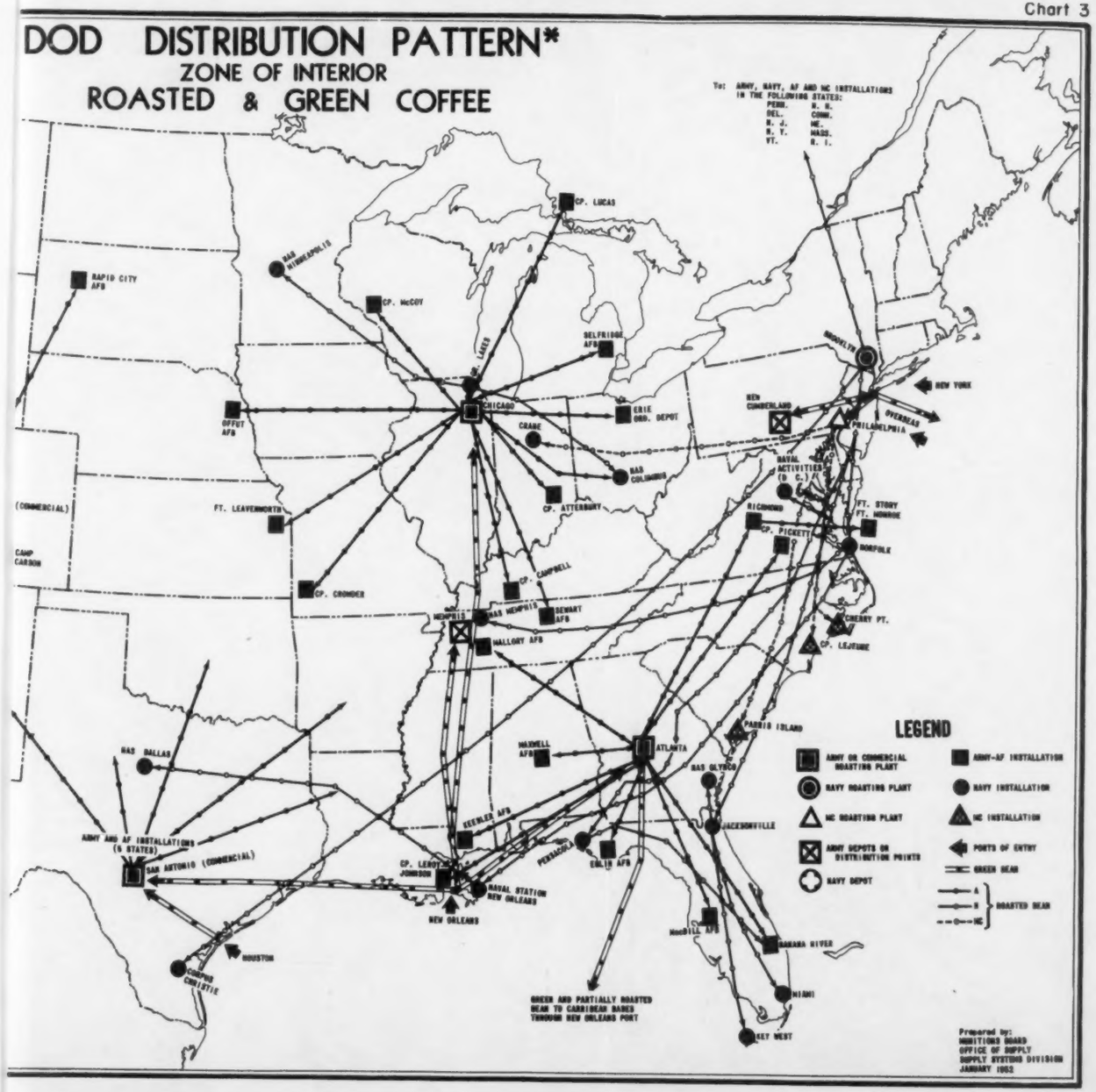
Quantitatively, a considerable amount of cross-servicing exists, but it is concentrated in two areas, the New York-New England area, and the California area. During 1951, approximately 30 percent of total Navy production was furnished to the Army, Air Force, and Marine Corps in these areas. Approximately 2½ percent of total Army production in Army-operated zone of interior plants was supplied to the Navy, and this in the Great Lakes area only. Other than the cross servicing above indicated, the distribution of roasted coffee is independently performed by each service. The extent of overlapping of the systems is in part illustrated in chart No. III.



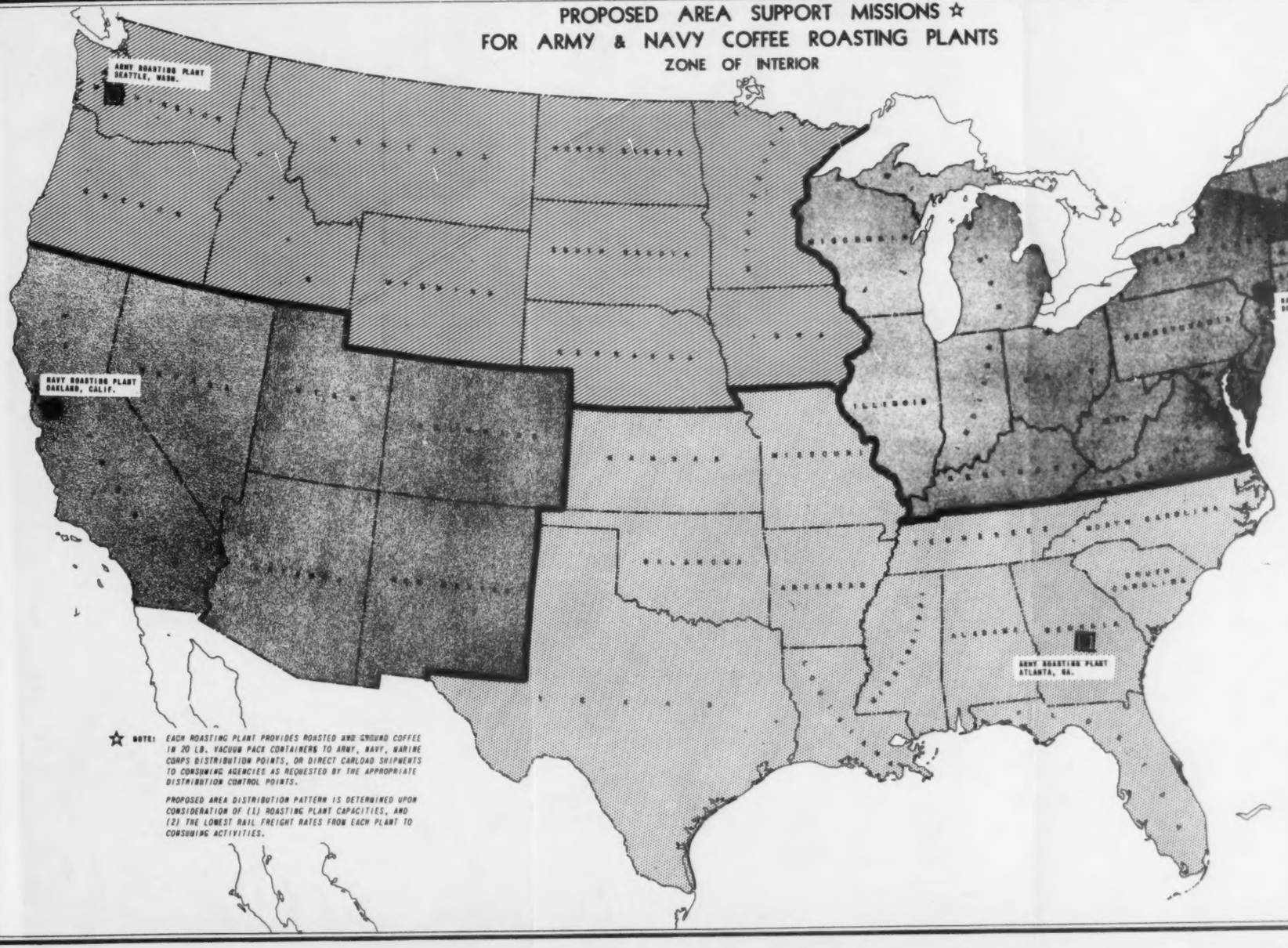
DOD DISTRIBUTION PATTERN*

ZONE OF INTERIOR

ROASTED & GREEN COFFEE



PROPOSED AREA SUPPORT MISSIONS ☆
FOR ARMY & NAVY COFFEE ROASTING PLANTS
ZONE OF INTERIOR



☆ NOTE: EACH ROASTING PLANT PROVIDES ROASTED AND GROUND COFFEE IN 20 LB. VACUUM PACK CONTAINERS TO ARMY, NAVY, MARINE CORPS DISTRIBUTION POINTS, OR DIRECT CARLOAD SHIPMENTS TO CONSUMING AGENCIES AS REQUESTED BY THE APPROPRIATE DISTRIBUTION CONTROL POINTS.

PROPOSED AREA DISTRIBUTION PATTERN IS DETERMINED UPON CONSIDERATION OF (1) ROASTING PLANT CAPACITIES, AND (2) THE LOWEST RAIL FREIGHT RATES FROM EACH PLANT TO CONSUMING ACTIVITIES.

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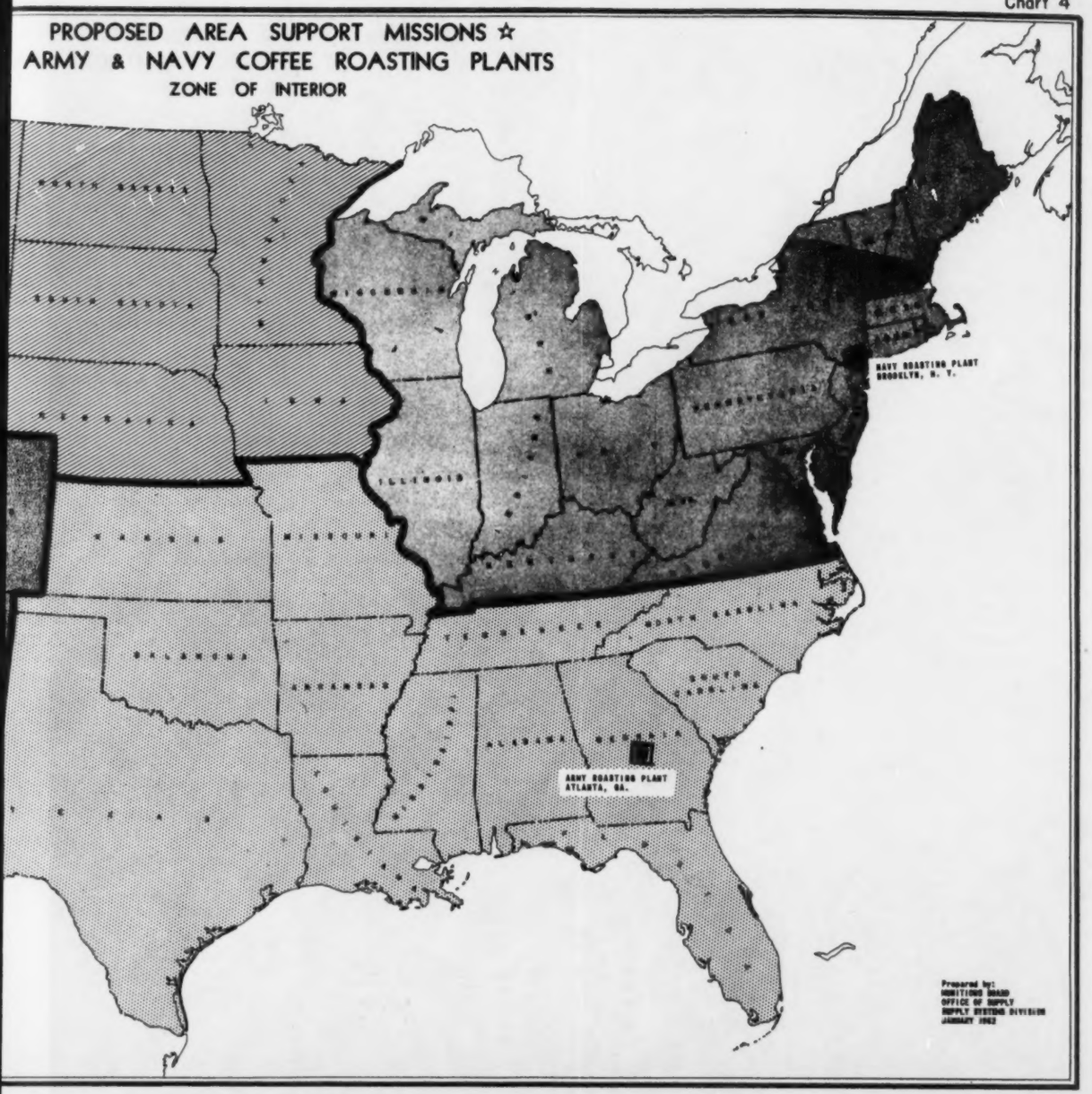
Chart 4



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It will be noted, for example, that the Army Atlanta plant ships to Army activities in northern Virginia and Maryland. The Navy Brooklyn plant ships coffee south to naval activities at Jacksonville, Pensacola, and Corpus Christi. Similarly, the Marine Corps' Philadelphia plant ships as far south as Parris Island, S. C. The military installations in the vicinity of Washington, D. C., receive coffee from four different geographical points, i. e., Brooklyn, Philadelphia, Norfolk, and Atlanta. The Naval Supply Center at Norfolk, Va., receives coffee that is roasted at Brooklyn and reships to the Naval Air Station, Memphis, via rail in freight cars that are routed through Atlanta. The obvious consequence in transportation costs is shown in the following concrete illustrations of a few consolidated shipments during 1951:

	Annual poundage	Annual tariff
Army ships from Atlanta to Richmond, rail rate, $1.1766 per hundredweight	3,000,000	$35,297.00
If shipments were from Brooklyn to Richmond, rail rate, $0.5559 per hundredweight	3,000,000	16,677.00
Freight differential		18,620.00
Navy ships from Brooklyn to—		
Jacksonville, $1.1554 per hundredweight	1,620,000	18,717.48
Pensacola, $1.7278 per hundredweight	240,000	4,146.72
Corpus Christi, $2.4910 per hundredweight	300,000	7,473.00
Total		30,377.20
If shipments were from Atlanta to—		
Jacksonville, $0.9328 per hundredweight	1,620,000	15,111.36
Pensacola, $0.9328 per hundredweight	240,000	2,238.72
Corpus Christi, $1.8020 per hundredweight	300,000	5,406.00
Total		22,756.08
Freight differential		7,581.12

Rail freight rates from Brooklyn to Jacksonville, Pensacola, and Corpus Christi are used in the foregoing example rather than the lower water rates because in actual practice only rail carriers are utilized.

Economies in transportation costs can be achieved without any loss to the effectiveness of supply support by the development of a Department of Defense distribution system which would assign areas to each of the military coffee roasting plants based on their respective production capacities. Shipments of vacuum packed coffee would be made to depots for redistribution to their satellite activities. In those cases where the consuming activities require coffee in carload quantities, direct shipment can be scheduled without physical handling through the appropriate distribution depots. A suggested Department of Defense area distribution system, designed to eliminate waste in transportation costs is illustrated in Chart No. 4. This proposed area distribution system applies only to distribution from coffee roasting plants to military distribution depots, or when warranted, to direct shipment to consumers. The relative merits of distributing vacuum-packed coffee from distribution depots on a single, joint or cross servicing basis will be discussed in the study of the overall subsistence nonperishable distribution systems.

SECTION 5. REQUIREMENTS—GREEN COFFEE

The Army uses a per-man consumption factor to determine gross green coffee requirements. This factor differs by area, season and feeding groups. The Navy uses issues from inventories as the base for computing requirements. The Army method gives weight to the several related considerations that affect consumption, whereas the Navy method is relatively simple in that it merely acts to replace the amounts issued without special consideration to the type of consumer. The group did not attempt to analyze the development and application of the several factors used, but analyzed results produced.

Army.—Army on-hand stocks in the zone of interior from both a system-wide and area basis were over the authorized levels based on average monthly consumption. The stock levels for green coffee are different from those prescribed for other quarterly procured nonperishable items, primarily because the item is not indigenous to the United States and is an important element in the ration.

Green coffee stored at the various Army storage locations as of October 31, 1951 represented an inventory ranging from 8 to 43 months. Green coffee on hand at each storage location, based on average monthly issues for the past 7 months, is adequate to meet Army and Air Force requirements as follows:

Storage location	Activities supported	Requirements on hand
		Months
Atlanta General Depot	(1) Atlanta coffee roasting plant	21
Memphis General Depot	(1) Mobile coffee roasting plants overseas	
Chicago Quartermaster Depot	Chicago coffee roasting plant	[1] 43
San Antonio General Depot	2 commercial coffee concerns roasting under contract in San Antonio.	24
Seattle coffee roasting plant	Seattle coffee roasting plant	8
Sharpe General Depot, Tracey, Calif.	(1) 1 commercial coffee concern roasting under contract in Denver.	24
	(2) Mobile coffee roasting plants overseas	
New Cumberland General Depot	Mobile coffee roasting plants overseas	11
Belle Mead General Depot	Mobile coffee roasting plants overseas	

[1] Includes requirements for Navy furnished by Chicago.

The prescribed stock levels and the relationship of on-hand stocks to issues is shown in chart No. V.

Navy.—Navy on-hand system-wide stocks were within authorized levels although area stocks were not in balance. East Coast stocks were considerably below authorized levels and at a point where any sudden demand, strike, or shift in Army, Navy, or Air Force personnel would disrupt supply support for coffee. The prescribed stock levels for green coffee are also different than those for quarterly procured items.

Green coffee stored at Navy locations as of September 30, 1951, represented an inventory ranging from 1½ to 6½ months. Green coffee on hand at each storage location based on average annual issues for the past 9 months is adequate to meet requirements as follows:

Storage location	Activities supported	Requirements on hand [1]
		Months
Oakland, Calif.	Navy roasting plant, Oakland, Calif.	6½
Stockton, Calif.		
Brooklyn, N. Y.	Brooklyn roasting plant, Brooklyn, N. Y.	1½

[1] Includes requirements of Army, Air Force, and Marine Corps in New York, New England, and California area.

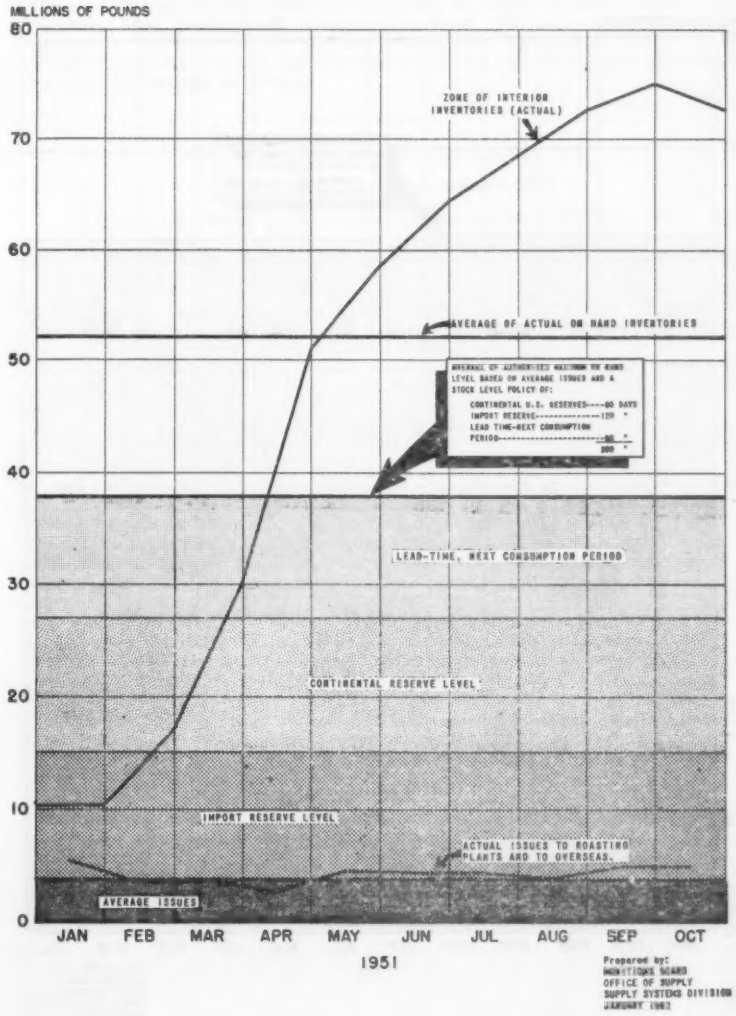
The prescribed stock levels and the relationship of on-hand stocks to issues is shown in chart No. VI.

Requirements computation methods in the Army and Navy should be refined to assure a balanced relationship between (1) on-hand stocks, (2) established stock levels, and (3) issues of green coffee.

The stock levels policies for green coffee are different between the Army and Navy. The stock levels should be identical between the departments since (1) one service procures the item for all services, (2) the item is identical and procured from the same source for all services, (3) the time elapsing from placement of contract to delivery is the same for all services, and (4) the end use of the item is the same between the services. Before a basic decision can be made as to what the specific stock levels should be, the many and complex influencing factors that logically must be weighed and related warrant detailed consideration. Among these are (1) procurement lead time, (2) production lead time, (3) distribution lead time, (4) transportation availability, (5) replacement availability, (6) essentiality of the item, (7) pattern of distribution system, (8) volume and nature of demand, (9) cost and availability of storage space, (10) availability of funds and (11) market conditions. Decisions on many of these factors reflect the responsibility and authority of command.

If all coffee is vacuum packed and distributed through the depot systems as discussed in another section of this report, the resultant increase in pipeline inventories of roasted and ground coffee will permit a reduction of green coffee

GREEN COFFEE BEAN INVENTORIES
DEPARTMENT OF ARMY



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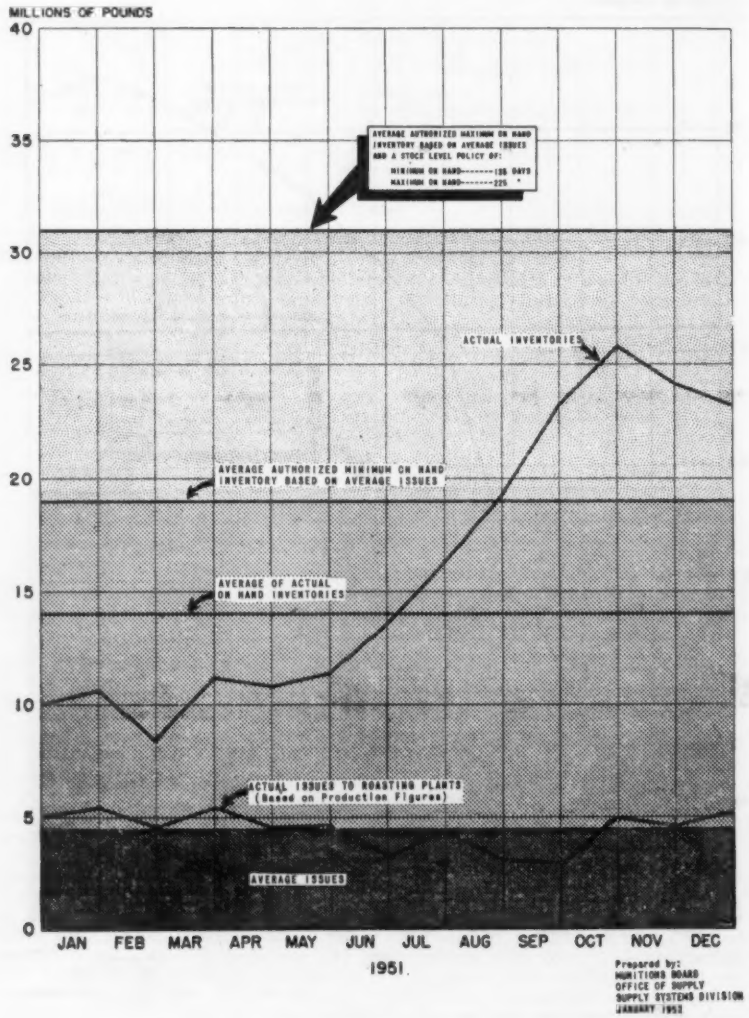
GREEN COFFEE BEAN INVENTORIES
DEPARTMENT OF NAVY



stock levels without adversely affecting supply support. If, as also discussed in this report, the departments adopt a policy of storing green coffee at roasting plants only, the limits necessarily imposed by available storage at these plants will likewise result in maintaining a lower level of green bean coffee.

Commercial on-hand inventories of green bean coffee in the United States averaged approximately 60 days' consumption (exhibit V). Commercial concerns controlled approximately 72 percent of the national inventories, and consumed 93 percent of the total imports. The Armed Services combined on-hand inventories as of September 1951 were approximately 18 percent of the average national inventories from 1948 through the first quarter of 1951 and connsumed less than 7 percent of the imports. If military stocks were maintained within the prescribed stock level policies, the inventories of the military would approximate 15 percent of national inventory.

EXHIBIT 5

UNITED STATES DEPARTMENT OF COMMERCE

BUREAU OF THE CENSUS, WASHINGTON

REPORT OF COFFEE INVENTORIES AND ROASTINGS, MARCH 31, 1951

Inventories of green coffee in the United States on March 31, 1951, amounted to 3,355,000 bags, according to an announcement of the results of the recent coffee survey conducted by the Bureau of the Census in cooperation with the Department of Agriculture, Production and Marketing Administration. This amount represented an increase of 14 percent over the December 31, 1950, level but a drop of 14 percent below stocks on hand March 31 a year ago.

Stocks of roasted coffee in the hands of roasters were placed at 687,000 bags (green coffee equivalent) at the end of March, a gain of 30 percent over December 31, and 15 percent above March 1950 roasted coffee inventories.

Roastings during the first quarter 1951 amounted to 5,216,000 bags, up 14 percent over the previous quarter and 19 percent greater than the amount roasted during the first quarter, 1950. Based on the quantity roasted during the first quarter 1951, stocks of green coffee represented approximately 8 weeks of supply.

The Bureau of the Census mailed schedules to all importers, roasters, and dealers, known or believed to be holders of green coffee in this country. The data on green coffee inventories and roastings shown in this release represent industry totals and are based on reports from a virtually complete response to the mailing. Data on green coffee inventories are limited to stocks which have cleared customs and are in the United States. Stocks in foreign trade zones or general order custom bonded warehouses and any stocks held for, or roasted by, the military services are not included. This survey does not cover quantities of roasted coffee held by wholesalers who did no roastings, by retail stores, or by the American housewife.

Imports of green coffee during the first quarter reached a high of 6,668,000 bags, an increase of 50 percent over fourth quarter 1950 imports and 35 percent higher than green coffee imports during the first quarter 1950. Data on imports shown in this release were compiled by the Bureau of the Census as a part of its foreign trade statistics program.

TABLE 1. *Estimated total inventories of green and roasted coffee*

[Standard bags of 132.276 pounds each]

Period	Green coffee	Roasted coffee [1]
Mar. 31, 1951	3,355,000	687,000
Dec. 31, 1950	2,936,000	527,000
Sept. 30, 1950	3,051,000	518,000
June 30, 1950	2,775,000	458,000
Mar. 31, 1950	3,884,000	596,000
Dec. 31, 1949	3,355,000	675,000
Sept. 30, 1949	3,496,000	460,000
June 30, 1949	3,345,000	523,000
Mar. 31, 1949	3,459,000	570,000
Dec. 31, 1948	3,083,000	625,000

[1] Green coffee equivalent. 1 pound roasted coffee equivalent to 1.2 pounds green coffee.

TABLE 2. *Estimated total coffee roasted*

[Standard bags of 132.276 pounds each]

Period	Amount roasted
First quarter 1951	5,216,000
Fourth quarter 1950	4,556,000
Third quarter 1950	5,178,000
Second quarter 1950	4,313,000
First quarter 1950	4,369,000
Fourth quarter 1949	5,925,000
Third quarter 1949	4,993,000
First quarter 1949	5,238,000

TABLE 3. *United States imports for consumption of raw or green coffee*

[Standard bags of 132.276 pounds each]

Period	1951	1950	1949	1948
Total		18,424,484	22,059,603	20,947,307
January	2,215,719	2,062,869	2,107,170	2,049,283
February	2,120,156	1,568,879	1,662,305	1,879,283
March	2,333,008	1,317,113	2,076,280	1,879,819
April		1,127,272	1,775,689	1,208,768
May		1,047,442	1,466,933	1,602,014
June		974,264	1,675,837	2,091,007
July		1,800,596	1,679,602	1,389,141
August		2,094,306	1,597,614	1,336,410
September		1,980,244	1,928,445	1,404,533
October		1,723,112	1,847,266	1,708,806
November		1,376,629	2,006,025	1,843,607
December		1,351,758	2,236,437	2,554,636

It is the considered opinion of the group that the stock level of green coffee, in terms of days of supply, can be reduced. The determination of a stock level cannot be made on the basis of dollar cost alone unless a price tag can be placed on the benefits of uninterrupted supply support of this essential beverage to military personnel. Considering no other fact except that the operating level must at least be equal to elapsed time between receipts, and that as a practical matter input into the supply systems at intervals of less than 30 days is not feasible, the operating level must be at least 30 days. Considering that supply is subject to interruptions because of sudden changes in personnel strength, human error in requirements calculations, strikes or failures in communications systems, and the administraitve lag between actual receipt and the availability for issue, and in this instance that the recommended operating level is only 30 days, the safety level should be at least 30 days.

Consideration must also be given to the fact that coffee is not indigenous to the United States and that no adequate substitute for this essential beverage is available. This makes it advisable to maintain an import level to assure uninterrupted supply support in the event of internal political disorders, restrictive export controls, crop shortages, and communications difficulties in the producing countries. Further, in the event of mobilization, military consumption will immediately increase, pipelines will be immediately extended, and as the time required to import green coffee from producing countries is 60 days, the established stock levels must absorb in part the initial impact of accelerated operation until the volume of imports can be increased.

It is concluded that stock levels of green bean coffee in the zone of interior should be identical between the services and that the maximum stock on hand at storage points should not exceed 120 days of supply based on expected consumption. The breakdown of these levels follows:

	Days
Operating level	30
Safety level	30
Import reserve level	60
Stockage objective (total)	120

It is recommended in another section of this report that all roasted and ground coffee be vacuum-packed in 20-pound containers. This will permit the establishment of levels of supply of this item at depots, posts, camps, and stations. It has also been recommended that car or truckload lots be delivered from the roasting plant directly to the user to the maximum extent possible. The degree to which this will be possible cannot be determined at this time, but it can logically be concluded that this method of distribution will substantially reduce the quantities of vacuum-packed coffee necessary to be carried in depot stocks. The recommendation to vacuum pack coffee in effect results in distribution of coffee through the depot systems of the departments in the same manner as other nonperishable items, with the exception as noted above. The question of stock levels for nonperishable items is a matter which will be treated in the study for all nonperishable subsistence items.

Mobilization reserves of vacuum-packed coffee are established by the Joint Chiefs of Staff.

Insofar as green coffee for overseas use is concerned, the group has recommended that the Department of the Army adopt the policy of direct shipment from vendors to overseas installations through ports of embarkation.

SECTION 6. BUDGET—FINANCE—PRICING

Section 405 of the National Security Act of 1947, as amended, authorizes the establishment of working capital funds for (1) the purpose of financing inventories and (2) to provide working capital for industrial and commercial type operations.

With respect to the above, there are basic differences between the departments; i. e., the Army (includes the Air Force) and Marine Corps finance inventories of coffee with appropriated funds, whereas the Navy uses a revolving fund. The funds which finance the inventories of coffee are included in the departmental appropriation of revolving funds which finance the inventories for all items of subsistence. While the method of financing inventories between the services should be similar, the findings on coffee with respect to this function are not sufficient to support a recommendation which would isolate coffee from other items in the system.

With respect to the coffee roasting plants, the Army finances operation of the plants out of several subappropriations and programs, whereas the Navy uses a working capital fund. The significance of methods used to finance coffee plants is pointed up when consideration is given to the sales of military processed coffee by commissary stores. Operating costs are included in the price of coffee. When coffee is sold in Army and Air Force commissary stores, the funds are collected in the quartermaster replacing account which is used to purchase subsistence for resale and issue. Thus, elements of coffee-processing costs, such as labor and utilities budgeted for under programs other than subsistence, are recovered by sales and, in effect, augment the subsistence budget. Procedures should be established by the Army to prevent this.

The cost of roasting of coffee by commercial contractors is included in the subsistence budget and sales of coffee produced in this instance do not result in augmenting subsistence funds. The 5-percent surcharge is separately accounted for and is not credited to the quartermaster replacing account for subsistence.

Consideration was given to the necessity and desirability of financing and operating military-owned roasting plants under an industrial fund. It was determined that the use of an industrial fund is not practicable or necessary because (1) the relative simplicity of the coffee-roasting process and (2) the operations of roasting, grinding, and packing comprise the smallest cost element of the finished product.

Irrespective of the method of financing the operation of the coffee plants, the selling price of coffee sold in the commissary stores should include all costs. Navy sales approximate 2,500,000 pounds annually. Army and Air Force sales figures were not centrally available. An estimate of Army and Air Force sales in the zone of interior, based on an average sale of 21 pounds per year to each cardholder and 350,000 zone of interior store permits in force, amounts to 7,000,000 pounds annually. This figure is based on data collected by the group, and exceeds the Army estimate which is based on 10 percent of zone of interior issues (exhibit VI).

When this data was assembled, Army and Air Force commissary stores were selling coffee at 64 to 67 cents a pound; Navy and Marine Corps prices were

71 to 72 cents a pound. No attempt was made to analyze this price difference but, in general, they arise from (1) the legislative requirement that the Army and Air Force sell at cost (cost is defined in the act of July 5, 1884, U. S. C. 10–1238 as "the cost price of each article shall be understood * * * to be the invoice price of the last lot of the article received * * * prior to the first day of the month in which the sale is made"); (2) Navy and Marine Corps commissary stores operate on a self-sustaining basis which requires varied mark-up percentages based on volume; and (3) additional elements of cost are included in Navy coffee-processing operations. Army and Air Force green coffee is purchased f. o. b. port of entry and freight from the port to the roasting plant is not included in the price of the finished product. The Army and Air Force have recently added a 5-percent surcharge to all sales in commissary stores to comply with the provisions of section 628 of the 1952 Appropriation Act, which charge is levied to recover cost of first destination freight and certain miscellaneous costs of store operation. Substantially the same requirement is included in the 1953 Appropriation Act under section 627.

The January 1952 market price on green coffee blend used in the services is ($0.5463, Santos 4's; $0.5845, Colombians f. o. b. port) $0.5577 per pound. Shrinkage in roasting averages 16 percent which yields roasted coffee at $0.6636 per pound without considering any other cost, such as roasting, bagging, grinding, and the requirement that each commissary store rebag coffee from 50-pound sacks to 1- and 2-pound bags prior to resale. The February selling price for issue coffee in Army and Air Force commissaries in Washington, D. C., was $0.66, yet the cost of coffee based on the last purchase equaled $0.6636, exclusive of all processing and packaging costs. Appreciable amounts can be recovered by refining the methods of pricing coffee sold by commissary stores.

Coffee-roasting plants, bread bakeries, fat-rendering plants, and ice-cream plants are food-processing units which are part of, and integrated with, the subsistence supply systems of each service. The budget and financial policies and procedures of each service are in many instances applicable to all these operations. It is the conclusion of the group that specific recommendations concerning budget preparation and financing of coffee plants should not be made on the basis of findings on coffee alone.

EXHIBIT 6

Findings of working group relating to issues of coffee roasted by military departments to messes and to commissary stores for resale at selected installations

ANDREWS AIR FORCE BASE, MD.

1951	Issues to mess	Issues for resale
May	2,900	6,000
June	3,300	2,700
July	1,900	6,100
August	2,050	5,950
September	4,150	1,850
October	6,600	3,400
Total	20,900	26,000

Total issues (pounds)	46,900
Percent to mess	44+
Percent to resale	55+
Commissary permits	1,900
Average ration strength	3,200

BOLLING AIR FORCE BASE, WASHINGTON, D. C.

1951	Issues to mess	Issues for resale
August	5,600	6,052
September	6,900	7,566
October	13,000	5,134
Total	25,500	18,753

Total issues (pounds)	44,252
Percent to mess	57+
Percent to resale	42+
Commissary permits	3,800
Average ration strength	4,200

FORT MEADE, SECOND ARMY, MD.

1951	Issues to mess	Issues for resale
July	28,900	5,200
August	21,602	5,700
September	30,791	5,800
Total	81,293	16,700

Total issues	pounds	97,993
Percent to mess		82+
Percent to resale		17+
Commissary permits		3,200
Average ration strength		17,000

MARINE CORPS AIR STATION QUANTICO, VA.

1951	Issues to mess	Issues for resale
July	11,600	5,680
August	10,400	3,040
September	12,880	5,520
Total	34,880	14,240

Total issues	pounds	49,120
Percent to mess		71+
Percent to resale		28+
Commissary permits		2,942
Average ration strength		[1] 10,000

[1] Includes 3,500 officer students and trainees.

NAVAL AIR STATION, PATUXENT, MD.

1951	Issues to mess	Issues for resale	
		Bagged	Tinned [1]
May	12,860	3,627	2,340
June	6,820	1,368	3,020
July	4,790	2,551	2,520
August	6,950	2,732	1,780
September	7,970	2,468	1,680
October	12,350	1,883	3,260
November	9,140	2,452	1,860
Total	60,880	17,081	16,460

[1] 20-pound tins sold to authorized messes.

Total issues	pounds	94,421
Percent to mess		64+
Percent to resale		35+
Commissary permits		2,675
Average ration strength		3,800

ATLANTA GENERAL DEPOT, ATLANTA, GA.

1951	Issues to mess	Issues for resale
July	3,088	2,765
August	5,740	1,820
September	2,854	3,360
October	4,089	3,230
November	6,132	3,570
Total	21,903	14,745

Total issues	pounds	36,648
Percent to mess		59+
Percent to resale		40+
Commissary permits		2,000
Average ration strength		2,800–1,600

SECTION 7. PROCUREMENT OF GREEN-BEAN COFFEE

An abstract of coffee procurements made by the Army for the armed services from September 1950 through September 1951 indicates that the average prices paid by the military for Santos and Colombian coffees were generally lower than New York spot-market prices at the time the contracts were awarded (chart VII).

CHART 7

ARMY BUYING

The Army has purchased (for the armed services) over 90 million dollars' worth of coffee over the past 12 months and, on a tonnage basis, has bought an amount equivalent to about 6.5 percent of the country's imports. On a 60-kilo bag basis, purchases have totaled 1,298,209 bags (890,931 bags of Santos and 407,278 bags of Colombian). Of this amount, 864,466 bags of Santos were for delivery in 1951 and 26,465 bags for delivery in January 1952; while 395,093 bags of Colombian were for delivery in 1951 and 12,185 bags for delivery during the first month of 1952. These purchases, of course, do not include soluble coffee bought for combat kits.[1]

[1] The above data extracted from Nov. 15, 1951, issue of Complete Coffee Coverage, which is issued daily by George Gordon Paton & Co., 66 Beaver Street, New York 4, N. Y. This is the daily news service for the coffee industry.

Purchases of green coffee by the U. S. Army

Purchase date	Quantity (bags)	Net price range [2] per pound	Delivery dates	Points of delivery [3]	Spot-market average price date of—	
					Purchase	Delivery
Santos coffee (132.24 bags):		*Cents*				
Nov. 14, 1950	9,707	50.31–50.44	Jan. 1–10	NO	51.75	55.125
Nov. 21, 1950	10,584	51.70–51.93	Jan. 1–10	Bklyn	51.75	55.125
Nov. 28, 1950	53,676	52.81–54.41	Jan. 1–10	NY, SF, NO, Hou, Sea	51.75	55.125
Dec. 20, 1950	43,092	52.82–53.63	Feb. 15–26	NO, Sea, SF, NY	53.725	55.375
Dec. 27, 1950	53,676	53.31–54.09	Feb. 1–10	NO, Hou, Sea, SF, NY	53.725	55.375
Jan. 4, 1951	49,896	53.95–55.02	February, March.	Bklyn, Oak	55.125	54.937
Jan. 17, 1951	72,576	54.05–55.38	do	SF, Sea	55.125	54.937
Jan. 25, 1951	11,642	53.91–54.40	Feb. 15–25	NY, NO	55.125	55.375
Jan. 31, 1951	45,230	54.16–55.11	Mar. 10–15	SF, Sea	55.125	54.50
Feb. 15, 1951	56,096	55.04–55.23	Mar. 10–15	NO, Hou, NY	55.375	54.50
Mar. 14, 1951	45,360	53.30–53.84	April, May, June.	Bklyn	54.50	54.041
Mar. 21, 1951	6,804	53.57–53.74	Apr. 1–15	Phil	54.50	54.50
Mar. 29, 1951	150,102	53.83–54.42	April, May, June.	NY, NO, Hou	54.50	54.041
Apr. 24, 1951	52,466	54.03–54.41	May, June	Oak, Stock	54.25	53.812
May 1, 1951	10,697	53.64–53.88	June 15–25	Hou, NY	54.125	53.50
May 29, 1951	18,937	53.20–53.22	July 17–27	NO, Hou, NY	54.125	53.05
June 19, 1951	52,920	52.46–53.17	July, August	Oak	53.50	53.25
June 25, 1951	18,938	52.07–52.26	Aug. 17–27	NY, NO, Hou	53.50	53.45
July 16, 1951	37,047	52.09–53.02	Sept. 15–30	Bklyn, Oak	53.05	54.00
Aug. 22, 1951	21,168	52.87–53.26	Oct. 1–10	Bklyn, Oak	53.45	54.75
Sept. 25, 1951	21,170	53.00–53.57	Nov. 1–10	Bklyn, Oak	54.00	54.25
Oct. 30, 1951	22,682	52.32–52.83	Dec. 1–10	Bklyn, Oak	54.75	
Total 1951 delivery.	864,466	[4] 53.10–53.68			53.942	54.429
Total pounds.	114,312,984					
Nov. 8, 1951	12,096	52.42–52.53	Jan. 1–10	Bklyn	54.25	
Nov. 14, 1951	14,369	52.28–52.34	Jan. 1–10	NY, Sea	54.25	
Colombian coffee (154.28 bags):						
Nov. 21, 1950	3,888	54.77–54.87	Jan. 1–10	Bklyn	54.27	59.02
Nov. 28, 1950	22,032	55.36–56.18	Jan. 1–10	NY, SF, Sea, Hou, NO	54.27	59.02
Dec. 20, 1950	14,904	56.81–57.65	Feb. 15–26	NO, Sea, SF, NY	56.75	60.041
Dec. 27, 1950	18,144	56.86–57.31	Feb. 1–10	NY, SF, Sea, Hou, NO	56.75	60.041
Jan. 4, 1951	23,393	57.31–58.42	February, March.	Bklyn, Oak	59.02	59.708
Jan. 17, 1951	24,883	59.15–60.42	do	SF, Sea	59.02	59.708
Jan. 25, 1951	6,933	58.09–58.47	Feb. 15–25	NY, NO	59.02	60.041
Jan. 31, 1951	30,930	59.68–60.38	Mar. 10–15	SF, Sea	59.02	59.375
Feb. 15, 1951	23,264	60.30–60.42	Mar. 10–15	NO, Hou, NY	60.041	59.375
Mar. 14, 1951	16,200	58.36–58.70	April, May, June.	Bklyn	59.375	58.913
Mar. 21, 1951	3,910	58.92–59.10	Apr. 1–15	Phil	59.375	59.125
Mar. 29, 1951	56,635	58.10–58.97	April, May, June.	NO, Hou	59.375	58.913
Apr. 24, 1951	13,348	58.30–58.58	May, June	Oak, Stock	59.125	58.625
May 1, 1951	5,119	58.29–58.30	June 15–25	NO, Hou	59.333	57.916
May 29, 1951	8,716	58.18	July 17–27	NO, Hou, NY	59.333	57.140
June 19, 1951	14,256	57.32–57.80	July, August	Oak	57.916	57.140
June 25, 1951	8,683	56.31–56.62	Aug. 17–27	NY, NO, Hou	57.916	57.475
July 16, 1951	11,662	57.00–57.67	Sept. 15–30	Bklyn, Oak	57.140	58.05
Aug. 22, 1951	10,368	58.55–59.15	Oct. 1–10	Bklyn, Oak	57.475	58.750
Sept. 25, 1951	10,367	57.65–58.29	Nov. 1–10	Bklyn, Oak	58.05	59.125
Oct. 30, 1951	11,016	57.11–57.39	Dec. 1–10	Bklyn, Oak	57.50	
Total 1951 delivery.	338,651	[4] 57.73–58.23			58.098	58.875
Total pounds.	52,147,076					
Nov. 8, 1951	2,592	57.11	Jan. 1–10	Bklyn	59.125	
Nov. 14, 1951	8,424	57.04–57.07	Jan. 1–10	NY, NO	59.125	

[2] Includes 1-percent trade-discount terms.
[3] NO = New Orleans, Bklyn = Brooklyn, NY = New York, SF = San Francisco, Hou = Houston, Sea = Seattle, Phil = Philadelphia. Stock = Stockton, Oak = Oakland.
[4] Average.

Source: Prepared by Munitions Board Office of Supply, Supply Systems Division, January 1952.

Coffee bids are submitted on a lot or "chop" basis. Importers do not own coffee in the quantities required by the armed services. Options are secured by each importer from their several agents in the growing country, each agent

offering a definite quantity at one or more prices. These lots are generally offered in multiples of 500 bags (66,000 pounds for Santos, and 75,000 pounds for Colombians). Invitations to bid result in importers each submitting bids for several lots of different amounts. Each of the lots have different prices which vary by a fraction of a cent. This difference between the lowest lot price and the highest lot price per pound is known as price spread, or price range. The significance of price spread is pointed up when it is realized that a difference of 1 mill per pound in the purchase price of the 193,000,000 pounds of coffee purchased by the American armed services from September 1950 to September 1951 represents approximately $200,000.

An analysis of all procurements of green coffee by the Quartermaster Purchasing Office in New York indicates that, for the period under review, the average price paid for Santos 4's was $0.53106-$0.53689 compared with the average spot-market price of $0.53942. The range in the Columbian prices paid was $0.57734–$0.58234 in contrast with the average spot-market price of $0.58098. Our examination further indicated that generally the greater the quantity of a purchase, there was a correspondingly larger number of lots awarded, which in turn reflect wider price spreads (charts VIII and IX). The records show that there are sizable differences in the monthly procurement of green coffee, although the consumption of roasted coffee is at a relatively constant rate. The elimination of procurement peaks is a responsibility of the inventory-control section of the requiring service. Requirements should be phased to minimize the impact on the coffee market and result in regular periodic input into the supply systems of the respective services. The phasing of procurement would result in lower average prices.

Economies could also be realized by the purchasing agency, refusing to accept, when circumstances warrant, all bids covering the entire advertised quantity of the purchase. To accomplish this, a close liaison between the purchasing agency and the inventory-control units of the requiring services is imperative. Purchases are made by the purchasing agency, without knowledge of either the Army's or Navy's stock status position. Neither are the requiring services sensitive to price and market situations. The following is illustrative of the foregoing:

On June 19, 1951, the Army purchased for the Navy 7,000,000 pounds of Santos 4's for delivery to Oakland, Calif. The price spread between the low and high awards was 7 mills. While this is not excessive, yet in terms of dollars this meant that the first million pounds cost the Navy, for instance, $6,700 less than the cost of the seventh million pounds. The important point is that the purchasing agency was unable to exercise any judgment with regard to the procurement because they were not aware that the Navy's stocks of Santos on-hand and due-in at Oakland totaled 10,612,065 pounds, or 6.2 months' supply. This purchase increased the Oakland inventory of on-hand and due-in to 10.4 months.

On March 29, 1951, the Army purchased 16,788,000 pounds of Santos 4's, f. o. b. New Orleans port. The price spread between the low and high successful bidders was 6 mills. Even if the spread was much wider, all of the quantity advertised would be awarded, yet the quantity called for on this purchase represented 17 months' requirements based on the average production at the Atlanta and Chicago roasting plants for whom this coffee was purchased.

On January 17, 1952, the Army purchased 7,000,000 pounds of Santos 4's. The following day the Journal of Commerce, reporting on the coffee market stated: "* * * most of the industry stepped aside to await further developments in the differences arising between the Office of Price Stabilization and Brazil over price levels. The Army entering the market, however, found they had to pay about 1½ cents a pound over their last purchase."

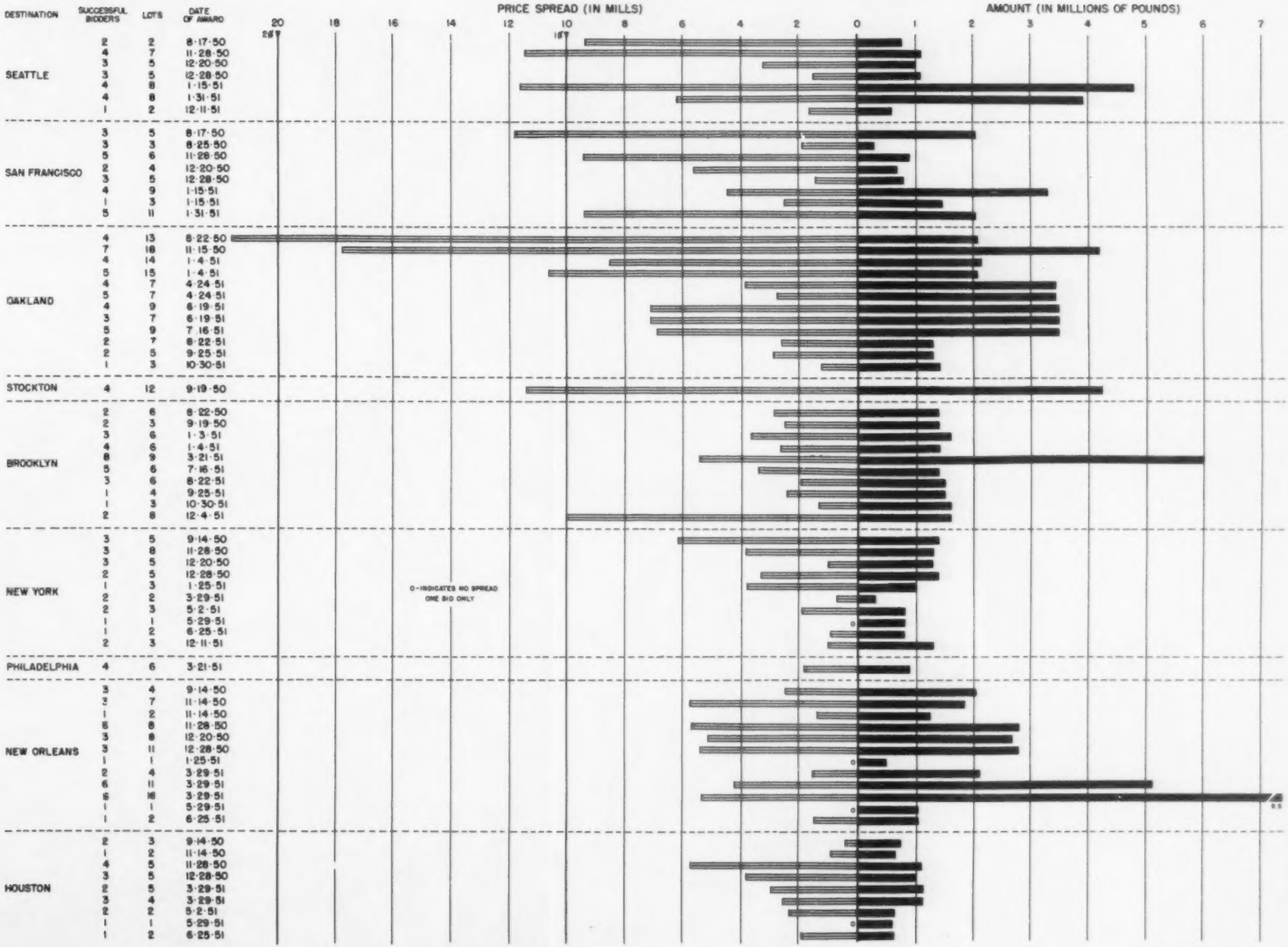
Under the single-service purchase assignment, the designated department purchases requirements at the best price consistent with desired delivery. The quantity, destination, and time of delivery is determined by the using agency. It is the opinion of the group that the Quartermaster Purchasing Office in New York is efficiently performing the mechanics of the purchase assignment with respect to green-bean coffee. It also precludes the services from competing with one another. However, closer liaison with the inventory-control units of both the Army and Navy is essential in order to exercise proper judgment insofar as it pertains to the procurement of coffee under the single-service purchase assignment.

A few of the large commercial roasters own their own plantations in coffee-producing countries and accordingly control the source of green coffee in addition to realizing the grower and any middleman profits. The vast majority of domestic roasters, however, purchase green coffee through importer-brokers on the

Chart 8

GREEN COFFEE PURCHASES FOR THE ARMED SERVICES *

AUGUST 1950 TO DECEMBER 1951

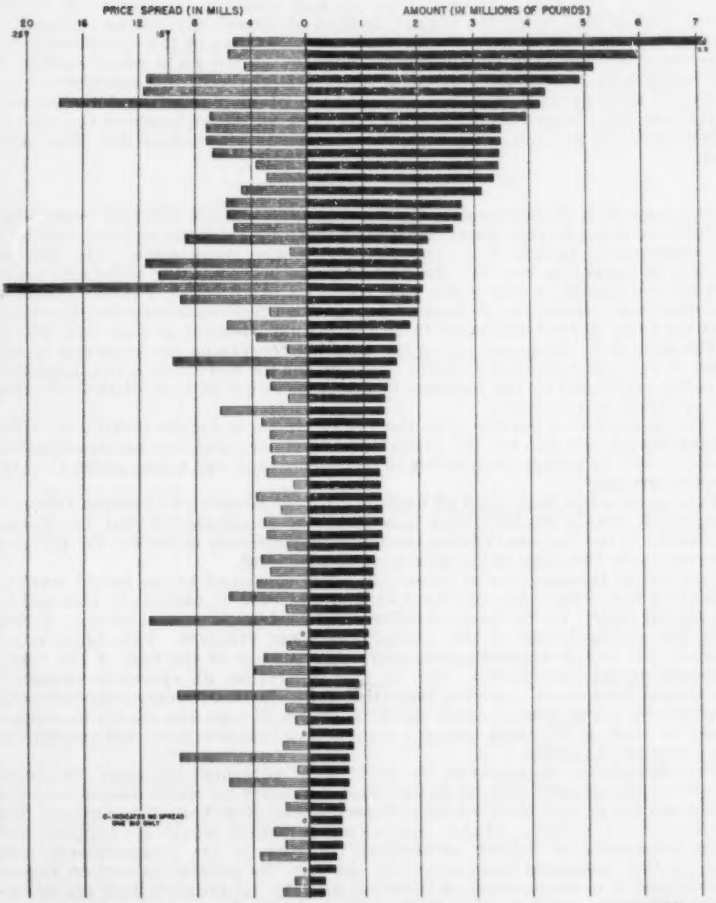


* Extracted from THE GEORGE GORDON PATON & CO. Daily News Service on the coffee industry.
Santos 4's only (70% of total purchases)

Prepared by:
MUNITIONS BOARD
OFFICE OF SUPPLY
SUPPLY SYSTEMS DIVISION
JANUARY 1952

RELATION OF QUANTITY TO PRICE SPREAD ON
GREEN COFFEE PURCHASES FOR THE ARMED SERVICES[a]

AUGUST 1950 TO DECEMBER 1951



[a] Extracted from THE GEORGE GORDON PATON & CO. Daily News Service on the coffee industry. Boston #'s only (75 % of total purchases)

Prepared by:
[illegible]
OFFICE OF SUPPLY
SUPPLY SYSTEMS DIVISION
[illegible]

New York Sugar and Coffee Exchange. The daily price fluctuations on this exchange reflect all factors effecting prices at both the ports of origin and at the ports of entry into the country, so no advantage would ultimately be gained by the roasters buying green coffee at the ports of origin. The records show that the services are buying green coffee at about the spot prices on the market from importers on a formal-bid basis. Hence, no benefits would accrue to the services by deviating from customary commercial practice and purchasing green coffee at the port of origin for domestic use.

For a period of several months following the outbreak of hostilities in Korea, the Office of The Quartermaster General was utilizing negotiation in buying coffee, rather than using the normal method of formal advertising in order to rapidly build up inventories at that time. An analysis of the two methods of purchasing showed that no conclusions could be drawn as to which method is the better with respect to obtaining a lower price. Coffee is a commodity that is traded on a produce exchange and all bids, whether negotiated or formally advertised, are inseparably tied to the spot price on the exchange at the time of submission, and hence is not a susceptible commodity in making this determination.

SECTION 8. INSPECTION

The inspection of green coffee for the armed services is different from other subsistence items in that green coffee is accepted on the basis of inspection by a non-Government agency, i. e., the National Coffee Association. The present method of inspection has over the past 12 years proved highly satisfactory and assures the receipt of only coffee that conforms in all respects to the purchase specifications. However, the General Accounting Office rendered a decision dated May 20, 1940, A–5280, published in 19 Comptroller General at page 941, which, in the opinion of the group, raises the question concerning the authority of the Office of the Quartermaster General to accept for the Government the inspection of coffee performed by the National Coffee Association in view of the following excerpt from that opinion:

"The inspection of purchases by the United States is for the protection of the United States and not for the protection of vendors and can be accomplished properly only by persons responsible to the Government and acting under Government supervision."

This opinion has been cited as authority by the General Accounting Office as recently as March 26, 1952, and it is therefore recommended that the appropriateness of the National Coffee Association's inspecting coffee for the military be reviewed by the Office of the Quartermaster General.

The cost to the importer of inspecting coffee consigned to the armed services is $0.08 a bag, which, like all other elements of cost, is ultimately reflected in the quoted price. On the basis of coffee purchased by the armed services during 1951, the aggregate cost of this service was about $112,000. This figure is extremely low and is approximately only 0.112 percent of the cost of the coffee procured during that period. Yet, in this connection, an executive of one of the largest commercial concerns importing coffee in this country suggested, and in which the group concurs, that the $0.08 charge is high and should be renegotiated in view of the large military volume and that less than 100 inspections are performed annually.

The advisability of inspection by Government personnel has been considered in lieu of the present arrangement. Ports of entry at which inspections are performed are geographically widely dispersed, i. e., New York, New Orleans, San Francisco, and Seattle. Highly specialized personnel would be required and their availability is limited, particularly in view of the comparatively high salaries they command from industry. In fact the present inspection system was devised in order to correct a situation whereby the military were not receiving specification coffee because of inadequate inspection under such a system. Moreover, since the present method in which coffee is inspected closely parallels commercial practices, vendors may bid for military business at prices that reflect the fact that they have complete assurance that normal business practices will be maintained.

If the appropriateness of the National Coffee Association's inspecting coffee for the military is affirmatively determined by the Office of the Quartermaster General, it is the judgment of the group that the present method of inspection is efficacious and has proved satisfactory to the Government and to the vendors.

SECTION 9. STORAGE AND DISTRIBUTION OF GREEN BEAN COFFEE

The Army obtains green coffee from importers for storage in the depot system for subsequent shipment through ports of original entry to overseas roasting plants and to zone of interior Army operated or controlled roasting plants for processing.

The Army ships approximately 9,800,000 pounds of green coffee annually to mobile roasting plants in Europe through the New York port. The present support of this requirement is from the Belle Meade Depot, Somerville, N. J. When the Belle Meade inventory is exhausted, supply support responsibility will be transferred to the New Cumberland, Pa., depot. Consideration was given to the economy of utilizing commercial storage facilities in New York City. Comparative cost computations indicate that it would cost an additional $24,336 annually to store 10,000,000 pounds of coffee in commercial warehouses (exhibit VII). Estimated savings of $100,000 annually, however, would accrue to the Army if overseas requirements of green coffee were met by scheduling shipments directly from vendors through ports of embarkation to overseas activities.

EXHIBIT 7

Costs of transporting, storing, and handling green coffee—New Cumberland Depot against commercial storage in New York area [1]

	New Cumberland General Depot (cost per 100 pounds)	Commercial storage New York City area (cost per 100 pounds)
Freight from port	$0.436	$0.29
Freight to port	.436	.29
In-handling	.0375	.06
Out-handling	.0425	.06
Total (excluding storage)	.9520	.70

The net saving to the Army is $0.252 per 100 pounds, excluding storage.

Assuming issues from New Cumberland of 9,800,000 pounds, savings in transporting and handling would have accrued to the Army if commercial storage were used in the New York area amounting to $24,696.00 annually (98,000 cwt. by 0.252).[2]

	New Cumberland General Depot (cost per 100 pounds)	Commercial storage New York City area (cost per 100 pounds)
Storage per month	$0.0146	$0.06
Storage per year	.1752	.72

The net saving per 100 pounds to the Army is $0.0454 monthly and $0.5448 annually.

[2] Assuming an average inventory of 9 million pounds, a savings of $49,032 would accrue to the Army by storing at the New Cumberland Depot in lieu of commercial storage in New York City. Annual net savings in transportation, storage and handling to the Army by utilizing the New Cumberland General Depot rather than commercial storage in the New York City area amount to $24,336.00.

[1] Commercial storage and handling costs obtained from the Army Quartermaster General's Office, Commercial Warehouse Service Office.

[1] Military storage and handling costs obtained from Army Assistant Chief of Staff, G-4, Supply Division, Storage Branch.

[1] Transportation costs obtained from the Army Quartermaster General's Office and the Chief of Transportation, Navy Transportation Section, and the Pennsylvania Railroad.

[2] Based on average issues from Belle Meade during 1951 and stocks on hand as of October 31, 1951.

Cross-hauling and double handling of green coffee for use in the zone of interior result from the fact that it is not always stored at the location of the coffee-roasting plants. For example, 13,000,000 pounds of green coffee, or 18 percent of the entire Army inventory as of October 1951, was stored at the Memphis General Depot. This must ultimately be shipped for processing at the roasting plants at Atlanta or Chicago.

The Navy obtains green coffee from importers through contracts awarded by the Office of the Quartermaster General for delivery to roasting plants located at Brooklyn and Oakland (or Stockton). They do not maintain roasting facili-

ties overseas. There were 9,000,000 pounds of green coffee stored as of October 31, 1951, at the Stockton Annex for eventual use at the Oakland roasting plant, necessitating duplicate hauling and handling.

The policy of the military services with respect to storage of green coffee to support military roasting plants in the zone of interior should provide that, to the maximum extent possible, the first point of entry into the supply system be at the location of the roasting plants.

SECTION 10. PACKAGING

Differences in the prices of bags and containers used to package coffee were noted during the study. The price differences obtained between departments and between roasting plants within each department. For instance, 50-pound bags were charged into costs at the Army Atlanta plant at $0.06 each, and at the Seattle plant at $0.33 each. The Navy plant at Brooklyn costed 50-pound bags at $0.5202 each, whereas at the Oakland plant they were $0.376 each. Similarly, the paper cartons which are used for packing two 20-pound tins for shipping purposes were priced by the Navy at $0.2089 each, whereas Army cartons were priced at $0.3707 each at Atlanta, and $0.6933 each at Seattle. The prices at which 20-pound tins are charged into costs are identical between the Army and Navy, $0.407 each.

The military departments should develop uniform standards for the containers used for packaging coffee. Appreciable savings could be achieved by container standardization.

PART IV. GENERAL INFORMATION RELATING TO COFFEE

The relative importance of coffee in the military ration is comparable to its importance to the civilian diet. The United States consumes two-thirds of the world's coffee production. Consumption of coffee in the United States increased from 3,288,177 bags per year, or 28 percent of the world production in 1882, to 20,300,000 bags per year, or 66 percent of world production in 1951.

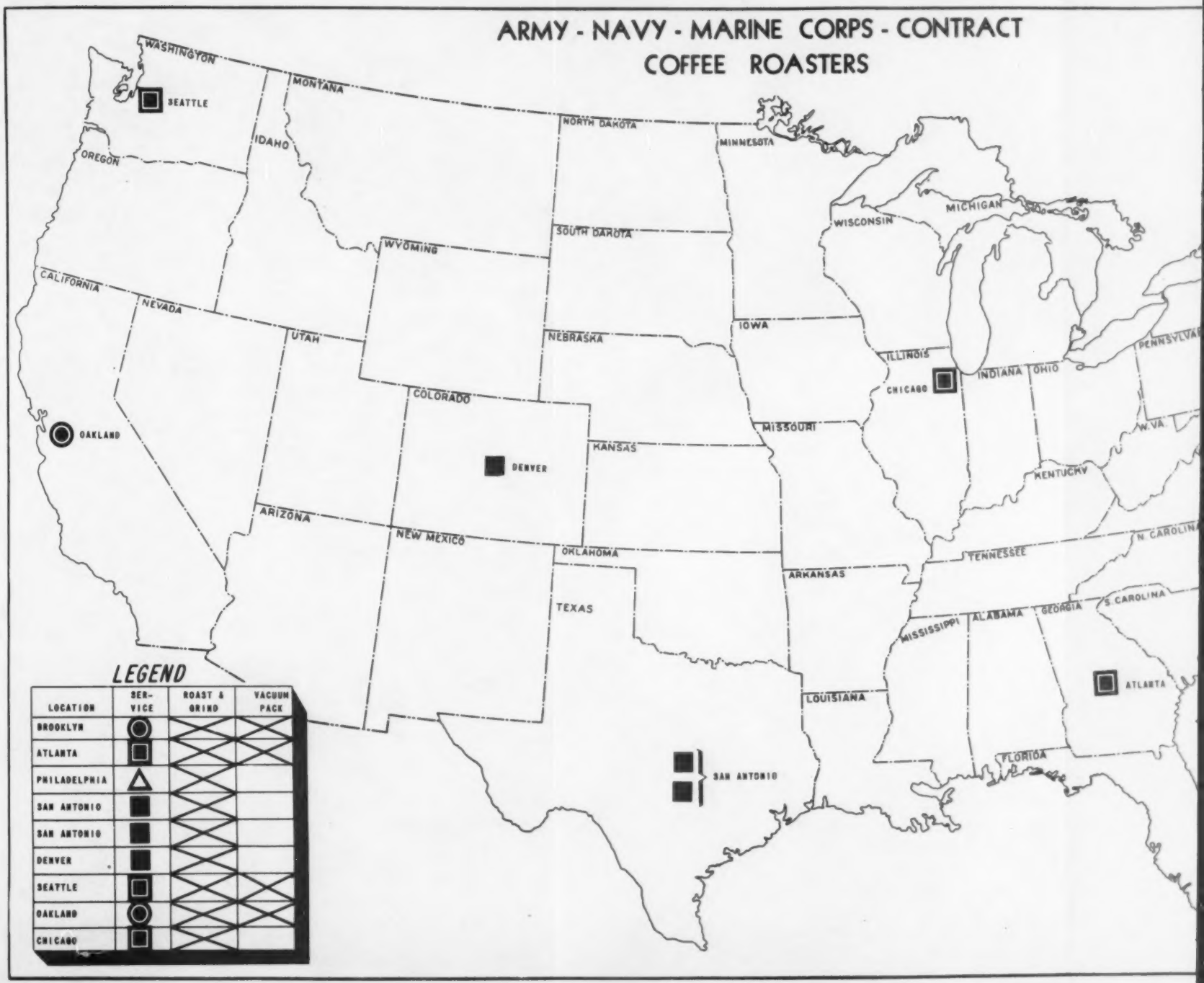
Coffee is a major item of the military ration which cannot be successfully substituted for any extended period. It is the only major item of the ration that is not indigenous to the United States. The military departments, from September 1950 through August 1951, purchased 193,665,000 pounds of green coffee. This represents purchases approximating $100 million, or about 7 percent of the average annual United States imports of green coffee for the past 3 years. Of this amount, approximately $67,000,000 was spent by the Army, $32,000,000 by the Navy, and $3,000,000 by the Marine Corps. The Army also purchased during 1951 approximately $10,000,000 of soluble coffee for use in combat and emergency type rations. Not included in the above figures are the purchases of brand-named coffees in 1-pound vacuum-packed cans or of soluble coffees for resale to authorized patrons of military commissary stores. During 1951, the military services consumed an average of 8,500,000 pounds of roasted coffee monthly.

Seventy percent of the green coffees used by the military services is Santos 4, a Brazilian coffee exported from the port of Santos, Brazil, from which it gets its name. This coffee is shipped in 132-pound bags. The 4 represents the grade or type which ranges from 2 to 8. Type 2 is a high-grade coffee, and each type is successively lower in quality, with type 8 the lowest grade acceptable. In general, the number of imperfections such as black beans, broken beans, stones, sticks, pods, determines the type. The remaining 30 percent of the green coffee used by the military services is Medellin, Manizales, or Girardot, all of which are grouped under the generic name Colombians, so-called as this is the country in which these types of coffee are grown. This coffee is shipped in 154-pound bags. Colombian coffee in the green bean commands a price on the market of about 4½ cents a pound more than Santos 4's.

The 70/30 blend of these coffees is standard among the military services. It produces a good coffee comparable to the blends sold by the leading chain stores in the United States.

Coffee is also grown in and exported from 29 other countries. These include Guatemala, Haiti, India, Madagascar, and French Africa. Brazil and Colombia, however, produced approximately 71 percent of world coffee exportable production during 1948, 1949, and 1950. Of this amount 50 percent was produced by Brazil and the preponderant grade is Santos 4's. These are some of the factors which were used by the military departments in determining the standard blend of 70 percent Santos 4's and 30 percent Colombians currently used by the military services.

ARMY - NAVY - MARINE CORPS - CONTRACT COFFEE ROASTERS

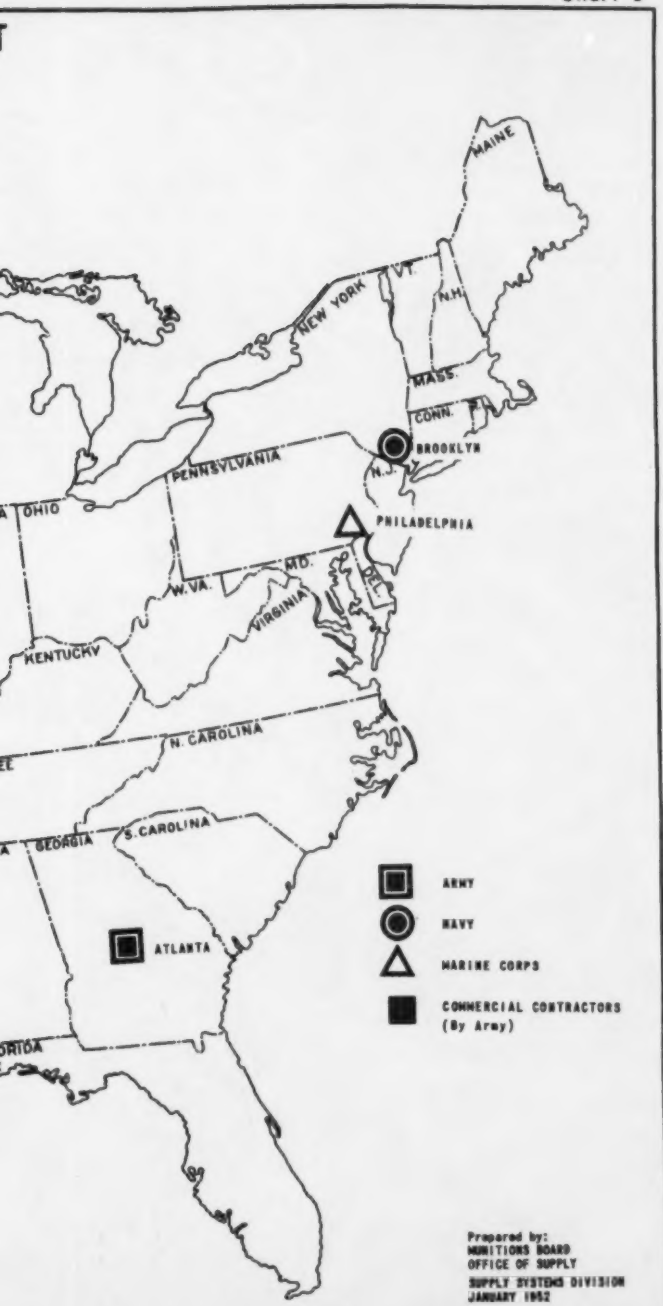


LEGEND

LOCATION	SERVICE	ROAST & GRIND	VACUUM PACK
BROOKLYN	◎	⊠	⊠
ATLANTA	■	⊠	⊠
PHILADELPHIA	△	⊠	
SAN ANTONIO	■	⊠	
SAN ANTONIO	■	⊠	
DENVER	■	⊠	
SEATTLE	□	⊠	⊠
OAKLAND	◎	⊠	⊠
CHICAGO	■	⊠	

Y - NAVY - MARINE CORPS - CONTRACT COFFEE ROASTERS

Chart 1


MAINE
VT.
N.H.
NEW YORK
MASS.
CONN.
BROOKLYN
N.J.
PENNSYLVANIA
PHILADELPHIA
OHIO
MD.
DEL.
W.VA.
VIRGINIA
KENTUCKY
N. CAROLINA
S.CAROLINA
GEORGIA
ATLANTA
ARMY
NAVY
MARINE CORPS
COMMERCIAL CONTRACTORS
(By Army)
Prepared by:
MUNITIONS BOARD
OFFICE OF SUPPLY
SUPPLY SYSTEMS DIVISION
JANUARY 1952

Green coffee is classified as a nonperishable product. Estimates of storage life extend to 10 years. Green coffee must be periodically fumigated to prevent or destroy mold or infestation. It loses some moisture during storage, but this does not have any appreciable effect on its aroma or flavor after it is roasted. When green coffee is roasted it loses from 15 to 16 percent of its weight.

Roasted coffee or roasted and ground coffee is a highly perishable product. Unless it is vacuum packed, it rapidly loses its taste and aroma. Ground coffee is classified as vile 20 days after roasting and grinding. Roasted coffee beans are classified as vile 30 days after roasting. Vacuum packed, roasted coffee will retain its freshness for several months or until the can is opened, at which time it deteriorates at the same rate as roasted or roasted and ground coffee which is not vacuum packed.

The Army, Navy, and Marine Corps each operate coffee-roasting plants. The Air Force does not operate coffee-roasting plants. Their requirements are furnished by the Army and Navy. In addition, the Army contracts with two commercial roasters in San Antonio, Tex., and one in Denver, Colo., to roast green coffee for Army and Air Force installations in these areas. The locations of these plants are shown on chart I.

The Army and the Navy package roasted bean coffee in 50-pound bags, and roasted and ground coffee in 50-pound bags, and 20-pound vacuum tins. The Marine Corps packs roasted bean and roasted and ground coffee in 50- and 80-pound bags. The Marine Corps does not vacuum pack coffee.

Bagged roasted or roasted and ground coffee which is processed in the zone of interior is used only in the zone of interior. As a general rule, roasted and ground coffee in 20-pound vacuum tins is stored as reserve, or used on ships or in overseas areas. The exception is the European theater where green coffee is shipped to be processed in Army operated mobile roasting plants and the Caribbean area where partially roasted coffee is shipped for further processing by mobile roasting plants.

Part V. Portrayal of Current Military Coffee Operations

Section 1. Legislative Background

Army

There is no legislative authority specifically authorizing the operation of Army coffee roasting plants. The first legislative reference appears in the Army appropriation bill of 1913, which includes a provision for the "* * * care and protection * * * coffee roasters and appliances for cooking and serving food at posts * * *." The Army appropriation bill of 1916, under the statement showing costs and estimates for fiscal year 1916, contains a footnote, "No estimate (for coffee roasters) submitted. All coffee is purchased already ground and roasted." Subsequent to the bill of 1916, appropriation bills do not contain any reference to coffee roasting plants.

Navy

The legislative authority permitting the Navy to roast its own coffee is not based on substantive law, but is only found in naval appropriation acts. The initial appropriation of funds for the construction of a coffee mill at the New York Navy Yard was in the Naval Appropriation Act for the fiscal year 1858, and the available records indicate that coffee has been continuously roasted since that date. It is the view of Navy counsel (Bureau of Supplies and Accounts) that in the absence of substantive law, the appropriation acts, themselves, constitute basic legal authority for the Navy to operate coffee roasting plants.

Marine Corps

There is no enabling legislation for the operation of the Marine Corps coffee roasting plant in Philadelphia. It was established during World War II to satisfy Marine Corps requirements for roasted coffee.

Section 2. Requirements Determination

This section of the report describes central requirements computation for procurement of the green bean.

Army

Requirements computation for the coffee required by the Army in the zone of interior and overseas is the responsibility of the Quartermaster General. The Quartermaster General also develops Air Force requirements as provided for in

the Army-Air Force agreement covering subsistence supply support. The procedures employed for coffee are basically the same as those used for other subsistence items stored in the Army distribution system, except that an increase factor of 19 percent is used to convert roasted requirements to the green bean equivalent. The requirements computation process is a several-sided operation, i. e., gross requirements, subsequently adjusted to net requirements, are developed for procurement of green bean. Concurrently, distribution requirements are developed for allocation of green bean directly to roasting plants, to depots, or overseas commands.

The factors used in quarterly requirements computation for procurement of the green bean are: (1) consumption per day per 1,000 rations by feeding group, (2) troop strength, and (3) consumption factors per authorized ration, or period estimates of sales through commissary stores. A description of these factors follows:

(*a*) *Consumption factors—Troop feeding.*—Consumption factors (based on a yield of 32 8-ounce cups per pound of roasted coffee) for coffee consumed in the zone of interior are developed by the Joint Army-Air Force Menu Board from past issue records and adjusted to satisfy dietary considerations. These data are furnished the Quartermaster on an annual menu recapitulation sheet which shows yearly projected consumption of coffee expressed in terms of pounds per 1,000 rations by months and quarters. The factor currently used in computing coffee requirements for the zone of interior is the annual average and is used for all feeding groups. The current average annual consumption factor is 82.54 pounds per day per 1,000 rations, which provides for 2,641 8-ounce cups per day per man.

Separate consumption factors, furnished by each overseas command for each feeding group (which are groups by types of work, or by location) are furnished to the Quartermaster General who reviews them for supply capability and validity. These factors are developed by the overseas commands substantially the same as are the factors used in the zone of interior. The following are examples of overseas consumption factors:

Location	Pounds per 1,000 rations	8-ounce cups per man per day
Philcom	116.40	3.724
Alaska	97.10	3.107
Hawaii	71.40	2.284
Austria	105.86	3.387
Panama	125.24	4.007
EUCOM	105.29	3.369

(*b*) *Consumption factors—Resale.*—Resale store requirements for issue-type coffee in the zone of interior are currently computed on a basis of 10 percent of the gross requirements for troop issue in the zone of interior. This average has been computed by taking the estimated requirements for resale reported on stock status reports (WDAGO Form 1010) which are periodically furnished by consuming activities.

Resale requirements for overseas are computed by using consumption factors and personnel strengths which are furnished by the overseas commands. The consumption factor is developed on the availability and acceptability of commercial brands of coffee in the particular area and past-issue data. Examples of these factors are:

Location	Pounds per 1,000 rations	8-ounce cups per man per day
Iceland	51.73	1.655
Philcom	41.42	1.325
Alaska	209.90	6.716
Hawaii	15.61	.4995

The European theater does not furnish consumption factors for resale. Their requirements are requisitioned in pounds for a quarterly period.

The personnel strengths, by groups or areas as appropriate, are furnished to the Quartermaster and are used to compute gross requirements for green bean procurement of balanced stocks of Colombian and Santos coffees. Overseas

strengths include all personnel regardless of service association or nationality.

Gross requirements are adjusted by a review of over-all issue experiences, by excesses in overseas theaters, by addition of the requirements of the Navy under the Great Lakes area cross-servicing agreement, and by reduction of the quantities which are to be furnished by the Navy under the California and New York-New England cross-servicing agreement.

Gross requirements are adjusted to net requirements by applying all assets (on-hand and due-in at depot level) in the zone of interior. The supply-demand review includes adjustment to the import reserve level (4 months), the operating level or continental United States reserves (3 months), and the consumption for the period between supply-demand reviews (3 months). The minimum of stock to be on hand is 210 days of expected consumption; the maximum is 300 days, i. e., stocks, depending upon frequency of input and rate of issue, fluctuate between 210 and 300 days of expected consumption.

Net procurement requirements directives are forwarded to the Army Quartermaster Purchasing Agency, New York. Requirements are broken down by (1) Colombian and Santos, (2) delivery schedules, and (3) ports of entry or depot destination.

Navy

The Bureau of Supplies and Accounts, Subsistence Division, develops the quarterly estimates of Navy green coffee procurement requirements for issue and resale. Requirements are submitted to the Office of the Army Quartermaster General and are broken down by Colombian and Santos, destination and approximate desired delivery dates. Four months lead-time is allowed in advance of delivery schedules. The formula used for determining requirements for green coffee contains the following factors:

(*a*) Issues during previous 6 months,
(*b*) Average personnel strength during the period,
(*c*) Estimated personnel strength for the subsequent 6 months,
(*d*) Maintenance of a 4½ months on-hand stock level.

The issue are the aggregate issues made to all activities—Army, Navy, Air Force, and Marine Corps—as reflected in reports submitted by the Brooklyn and Oakland roasting plants. Issues for the base period are compared with (1) the average naval personnel strength for the succeeding period, and (2) the estimated naval personnel strength for the succeeding time base period. A gross requirement subsequently adjusted to a net requirement is developed for the appropriate 3-month consumption period and for the maintenance of a 4½ months' on-hand stock level. No consideration in this computation is given to (1) changes in personnel strength in Army activities which in 1951 consumed approximately 31.3 percent of Navy production, or to sales made by commissary stores which consumed 5.5 percent of Navy production, or to personnel changes in west coast Marine Corps activities which consumed approximately 1,200,000 pounds of Navy roasted coffee in 1951. Neither is special consideration given to the quantity of coffee supplied by the Army to naval activities in the Great Lakes area which approximates 700,000 pounds a year.

The Navy does not ship green coffee to overseas bases.

Marine Corps

Requirements for green coffee to be roasted by the Philadelphia roasting plant are determined by the Subsistence Division, Office of the Quartermaster General of the Marine Corps, as needed, rather than at set periodic intervals. Requirements are based on issues made by the Philadelphia roasting plant, which supports east coast Marine activities only.

SECTION 3. BUDGET AND FINANCE—COFFEE REQUIREMENTS

Funds for procurement of green coffee are included in funds appropriated for all subsistence. This function area will be treated in a subsequent report of the subsistence supply systems and the detail of budget development is not, therefore, covered in this report.

When the term "inventory requirements" is used in discussing budget, the term applies equally to green coffee at depots or at roasting plants and to roasted coffee at depots and at posts, camps, stations, and bases.

Army

Budget and financing for coffee is accomplished in the same manner as for other subsistence matériel. Funds for the purchase of green coffee are in-

cluded in the budget subappropriation: "Subsistence of the Army" under the program: "Provisions and ration savings." Included in this program are funds for troop consumption of coffee and for financing inventory requirements in the zone of interior and overseas. These funds are also used to finance depot stocks of Air Force requirements for coffee.

The roasting of coffee by commercial contractors is budgeted for under the same subappropriation: "Subsistence of the Army," but under the program: "Care and preservation of subsistence." The funds included in this program for commercial roasting are for the roasting and grinding operations only—they do not include funds for packaging materials and other incidental costs, which are included in the subappropriation: "Regular supplies of the Army."

Navy

The annual budget of the Navy for subsistence is for consumption only. Inventory requirements for green coffee are financed by the naval stock fund. The funds for consumption of coffee are included in the annual fiscal year appropriations for subsistence and are used to reimburse the stock fund as the coffee is consumed.

Air Force

Budget and financing for coffee by the Air Force is accomplished in the same manner as for other subsistence. The Air Force budget for subsistence includes funds for troop consumption of coffee in the zone of interior and overseas. The Air Force budget also includes funds for financing inventories of roasted or roasted and ground coffee at Air Force bases. The Air Force budget does not include funds for inventory requirements for green coffee stocks; funds for these inventories are included in the Army budget or are financed by the naval stock fund.

Marine Corps

Budget and financing for green coffee is the same as for other items of subsistence. The budget for each fiscal year includes the funds for troop consumption and the inventory requirements at the depot and station level.

SECTION 4. BUDGET AND FINANCE—COFFEE ROASTING PLANT OPERATIONS

Army

The plant equipment (and spare parts for maintenance) is budgeted for under the subappropriation: "Regular supplies of the Army" and specifically in the program: "Special quartermaster equipment." Included also under this subappropriation, but in other programs, are funds for the procurement of supplies (except green coffee) and utilities incident to the coffee-roasting operation. The funds for the pay of civilian personnel employed in coffee-roasting plants of the Army budgeted for under the subappropriation "Incidental expenses of the Army."

Navy

Financing for the cost of operating coffee-roasting plants is accomplished through a working capital fund. This fund finances the pay of civilian personnel, the cost of supplies, and utilities, maintenance and repair (except major overhauls or purchases of plant property more than $100) incident to the processing operation.

Marine Corps

Budget and financing for the maintenance and operation of the Marine Corps coffee-roasting plant in Philadelphia is budgeted for under the annual appropriation: "Marine Corps troops and facilities," within the program entitled: "Maintenance and Operation of Marine Corps Facilities."

Air Force

The Air Force does not operate coffee-roasting and grinding plants. The Air Force receives supply support for coffee from the Army, through Army and Navy roasting plants. Budgeting and financing for all facilities and operations to accomplish this is provided by the Army, or the Navy.

SECTION 5. PRICING OF COFFEE

Army

The Army Quartermaster General utilizes a monthly report: Coffee Production Report, as a basis for computing and publishing the monthly price of roasted

coffee (domestic and export pack). The report is prepared by Quartermaster Corps class II installations and activities which process coffee, or contract with commercial concerns, or the Navy for the purchase of processed coffee. The report sets forth actual quantities, ingredient and processing costs for all coffee processed during the reporting month. A weighted cost price is obtained by applying the quantity of coffee and unit cost of each type of processing or purchase. The cost elements in the report which make up the price of the roasted and roasted and ground product are as follows:

(*a*) Cost of green coffee furnished out of depot stocks.
(*b*) Cost of loss due to normal shrinkage incurred in roasting (averages 16 percent).
(*c*) Depot processing costs (packaging materials, civilian labor, electricity and gas).
(*d*) Contract processing costs by commercial concerns (includes cost of Government-furnished products, such as packaging materials, but excludes the cost of green coffee bean).
(*e*) Purchase costs (processed and packaged coffee purchased from the Navy).

Navy

The costs which make up the price of the roasted product are accumulated under the working capital fund for the coffee-roasting and grinding plants and include the following cost elements (the working capital fund is not charged with pay of military personnel, depreciation, storage, and handling cost, or procurement cost):

(*a*) Invoice cost of green coffee bean.
(*b*) Labor (civilian employees engaged in roasting, grinding (and packaging of the product).
(*c*) Maintenance and repair (all normal repair and maintenance of the coffee roasting plants, excluding major overhauls.
(*d*) Utilities.
(*e*) Factory office (cost apportioned against the coffee roasting plant).
(*f*) Salvage of green coffee sacks and scrapings from roaster (proceeds of sale offset against cost of product).
(*g*) Plant property (cost value of $100 or less).
(*h*) Services from parent activity (cost apportioned to working capital funds, including janitorial services, security, public works, and fiscal department).

Marine Corps

Costs entering into the price of coffee processed in the one Marine Corps coffee-roasting plant at Philadelphia consist only of the cost of the green bean processed and a shrinkage cost of 15.8 percent which is incurred in the roasting process. Other costs, such as civilian labor and utilities required in connection with the coffee-roasting operation are considered by the Marine Corps to be inconsequential as compared to the operation of the Philadelphia depot as a whole. Such costs are not apportioned for inclusion in the price of the roasted product. In addition, the Marine Corps does not incur any appreciable material-packaging costs since the original green coffee bags are used for the roasted product.

SECTION 6. PROCUREMENT

Army

All green coffee for use by the three military departments is centrally procured by the Department of the Army under a Munitions Board single-service purchase assignment. Responsibility for implementing the assignment has been delegated to the Office of The Quartermaster General and all purchases of green coffee are made by the New York Quartermaster Procurement Agency. All coffee for use by military establishments, except brand name, is purchased as green bean from coffee importers. Green coffee is considered as a nonperishable item and is procured by formal advertising. The bidders' list for this commodity includes all coffee importers that have indicated an interest in bidding on Government contracts; approximately 60 to 65 firms. Response by industry to invitations to bid range from 15 to 20 responses. Quarterly or monthly military requirements are generally in excess of what one importer can furnish at one price. For example, to meet a military demand for 1 million pounds of green coffee, one importer may offer 8 lots of 1,000 bags (132,000 pounds each). The price on the first lot may be $50.413 and each succeeding lot for delivery at the same time will be a few mills higher. If delivery of a part of the total demand is scheduled in a subsequent month, the price of the first lot in that month may

be lower than the highest lot price quoted for delivery in the previous month. The difference between the lowest and highest prices for the lots offered to meet the requirement is called price spread, or price range. Awards are usually made to several bidders in order to secure the amounts required by the military departments at the best price. Each bidder may be awarded several lots.

Procurement requirements for green bean for the Departments of the Army and Air Force are computed monthly by the Office of The Quartermaster General, and procurement directives are submitted to the procurement agency in New York. Procurement requirements for the Navy are submitted by the Bureau of Supplies and Accounts to the Office of The Quartermaster General on a quarterly basis with the monthly requirement indicated. The Quartermaster General then issues a procurement directive to the New York Procurement Agency. The Marine Corps buys on an "as needed" basis, primarily because of the small volume processed by their single roasting plant. All requirements are normally submitted 4 months in advance of contemplated delivery date in order to provide sufficient lead time for the procuring agency and the green-coffee industry.

While the Department of the Army has the responsibility for single-service procurement of coffee, separate contracts for the Navy and Marine Corps requirements are issued by the New York Procurement Agency. Requests for invitations for bids are not normally consolidated for all services requirements. Coffee for Navy use is procured f. o. b. destination and generally f. o. b. port for Army and Air Force requirements. After the award is made, contracts for Navy and Marine Corps procurements are transferred to the Department of the Navy for administration, including final payment to the vendor.

The New York Procurement Agency phases procurements for military requirements to meet the delivery schedules, specified by the using departments. Procurement in pounds of green coffee for the military departments for the period September 1950 through August 1951 was as follows:

	Army and Air Force	Navy	Marine Corps	Total
September 1950–November 1950	14,675,000	16,300,000	960,000	31,825,000
December 1950–February 1951	52,943,000	13,610,000	----------	66,753,000
March 1951–May 1951	36,402,000	14,600,000	1,500,000	52,502,000
June 1951–August 1951	28,025,000	16,500,000	----------	42,525,000
	130,005,000	61,210,000	2,450,000	193,665,000

Green coffee for all the military departments is procured under the same Federal Specification HHHC–571–31, dated March 1931, and amendment thereto, dated August 5, 1937.

Navy, Air Force, Marine Corps

These services do not purchase green coffee. Each service purchases locally brand-name coffees for sale in resale stores. Roasted and ground coffee for troop use is purchased in certain isolated areas where detachments are operating under a garrison type ration.

SECTION 7. INSPECTION

Inspection of the green coffee bean prior to acceptance by the armed services is performed by members of the National Coffee Association. This arrangement was established in 1940 by agreement between the association and the Office of the Quartermaster General and has been in effect since that date. It provides for a United States Army Advisory Committee on Coffee which consists of a permanent civilian chairman and three members selected from the coffee industry by the National Coffee Association. The members of the committee are located in New York, New Orleans, and San Francisco. Copies of the green bean awards are forwarded to the appropriate members of the committee. The member of the committee at the port of entry appoints a panel consisting of three members of the National Coffee Association. The three members perform independent inspection of shipments by obtaining representative samples from lots offered and test for quality (infestation, mold, and foreign material). This type of inspection is a visual inspection wherein the members of the panel have no knowledge of the seller. Members of the panel are rotated and an

employee of the seller cannot serve on the panel. In addition to the quality test, the panel also conducts a cupping test to determine whether the aroma, body, and character of the coffee conforms to military requirements. The panel certifies that the shipments meet specifications and a certification is forwarded to the contracting officer at the Army Quartermaster Purchasing Agency, New York. Acceptance of this certification by the contracting officer represents acceptance as to the quality by the Government. If the vendor is not satisfied with the decision of the panel, an appeal may be made to the chairman within 48 hours, and an appeal panel is appointed to review the decision. The decision of the appeal panel is final. Acceptance certificates, together with Government bills of lading and weighmasters' certificates accompany the shipment to military establishments. The National Coffee Association charges the contractor (importer) 8 cents a bag for this service. It is significant to note that this method of inspection closely parallels commercial practice. It is, however, also highly significant to observe that coffee is the only commodity of subsistence which is accepted on the basis of an inspection other than by a Government agency. Inspection charges for the 193,000,000 pounds of coffee purchased for the armed services during 1951 approximated $112,000. While inspection charges (8 cents per bag) are for the account of the seller, it is nevertheless an element of cost that the vendor includes in the determination of his price and hence this charge is ultimately paid for by the military departments.

SECTION 8. MILITARY AND COMMERCIAL ROASTING PLANTS

Army

Green coffee is roasted, ground, and packaged for Army-Air Force troops issue and resale consumption in three Army-operated plants and three commercially operated plants in the zone of Interior. Mobile roasting plants are used extensively in the European theater and to a very limited extent in the Pacific and Caribbean. There are approximately 40 mobile roasters in the European theater. 26 of which are in active use. Fourteen are not in use and are stored in overseas depots. There are 18 portable roasters stored in zone of interior depots. Overseas operations are not included in this report.

The three Army-owned and operated plants have recently been modernized and the rated capacity of these plants is cataloged below:

Location	Number roasters	Rated capacity [1]	Number grinders	Normal rated capacity [1 2]	Vacuum pack sealers	Rated capacity [1]
		Pounds		*Pounds*		*Pounds*
Atlanta	6	60,000	2	64,000	2	48,000
Seattle	3	30,000	2	64,000	2	48,000
Chicago	3	30,000	3	33,600		
	12	120,000	7	161,600	4	96,000

[1] 8 hours.
[2] Varies with type of grind and type of equipment.

The Army also contracts for coffee roasting with two commercial concerns in San Antonio, Tex., and one in Denver, Colo. Contracts with commercial roasters are for services only; i. e., storing, roasting, blending, grinding, and packaging. All material except processing equipment is furnished by the Army. The contractor is paid on the basis of green bean weigh-in under Army supervision at his plant. Contracts are let locally on a formal (advertised) basis, and for a period of 1 year.

In the last 3 years, five invitations to bid were sent out each year by the San Antonio depot and three bids received under each invitation. Up until 1949, one company had been the successful bidder for the preceding 15 years. Since 1949, it has been necessary to make awards to two contractors to meet area requirements. The awards are not made necessarily on the basis of the low bid; other considerations such as freight between the San Antonio depot and the contractor, and the adequacy of the contractor's plant equipment and facilities are contributing factors. The cost of handling and shipping coffee substantially exceeds the roasting cost and the storage capacity and ability of the contractor to handle carload (70,000 pounds) shipments is of paramount importance. The roasted product is shipped directly from the roaster to the consum-

ing military activity. The administration incident to requisitioning, shipment, inventory control and accounting is performed by the Army.

The prices bid by both the San Antonio commercial roasters under existing contracts are identical:

	Per pound of green
Roasting	$0.006499
Roasting and grinding	.006999

These prices include all elements of cost and profit normally included in a service contract. They do not include material.

Total production for Army and Air Force use, including the three commercial roasters, for a 7-month period follows.

Under a cross-servicing agreement with the Navy, Army, and Air Force, requirements in the California and New York-New England areas are furnished from the Navy roasting plants. Total Army-Air Force requirements for processed coffee in pounds for July through November 1951 were furnished as follows:

	Army plants	Navy plants	Commercial producers
July:			
Number of pounds	2,313,608	1,047,070	300,450
Percent of total	63.20	28.60	8.20
August:			
Number of pounds	2,387,324	809,190	355,500
Percent of total	67.21	22.79	10.00
September:			
Number of pounds	2,594,017	807,990	389,350
Percent of total	68.43	21.31	10.26
October:			
Number of pounds	3,163,879	1,660,800	501,250
Percent of total	56.23	34.85	8.92
November:			
Number of pounds	2,821,140	1,304,000	690,800
Percent of total	58.57	27.09	14.34

Under a cross-servicing agreement in the Great Lakes area the Army furnishes an average of 60,000 pounds or 25 percent of Chicago's monthly production to proximate Navy installations in the Fourth, Ninth, and Tenth Naval Districts. It is significant to note that a cross-servicing agreement between Army and Navy utilizing Army plants at Seattle and Atlanta has not been established.

The following is an extract from Army cost records showing labor and utility costs of processed coffee in 50-pound bags:

Production of roasted coffee in pounds

	Atlanta (40-hour week)		Seattle (80-hour week)		Chicago (40-hour week), roasted [1]	Denver (1 commercial firm), roasted [1]	San Antonio (2 commercial firms), roasted [1]	Total
	Roasted [1]	Vacuum packed [2]	Roasted [1]	Vacuum packed [2]				
1951—May	703,640	None	142,350	1,115,360	406,100	82,550	371,900	----------
June	521,090	174,544	133,850	893,600	282,600	84,200	344,150	----------
July	589,760	217,398	98,150	1,037,600	370,700	85,800	214,650	----------
August	396,030	410,134	98,600	1,223,360	259,250	70,700	284,800	----------
September	478,225	292,562	88,300	1,435,880	299,050	97,700	303,850	----------
October	925,425	165,224	117,800	1,890,080	65,350	122,700	378,550	----------
November	1,052,900	None	114,000	1,548,640	105,600	106,750	584,050	----------
Total	4,667,070	1,259,862	793,050	9,144,520	1,788,650	650,400	2,481,950	20,785,520
Monthly average (8-hour day)	666,724	179,980	56,647	653,180	255,522	92,915	354,565	----------
Monthly average (16-hour day)	----------	----------	113,293	1,306,360	----------	----------	----------	----------

[1] Quantity or percent ground not available. All in 50-pound bags.
[2] All ground. All in 20-pound tins.

	July	August	September	October	November	December	Total
SEATTLE							
Bulk pounds	98,150	98,600	88,300	117,800	114,000	109,575	
Gas	$109.63	$109.95	$69.20	$84.97	$104.61	$92.97	$571.33
Electricity	29.94	31.77	18.64	16.86	20.92	22.95	741.08
Labor	564.97	466.95	322.93	430.57	431.79	387.08	2,604.29
Total							3,316.70
ATLANTA							
Bulk pounds	589,760	396,030	478,225	925,425	1,052,900	1,072,650	
Gas	$51.82	$39.22	$52.42	$74.91	$151.41	$140.75	$510.53
Electricity	8.00	35.59	44.11	61.66	90.22	87.03	326.61
Labor	1,533.00	1,201.71	1,394.96	2,535.20	3,230.00	3,001.00	12,895.97
Total							13,733.11
CHICAGO							
Bulk pounds	370,700	259,250	299,050	63,350	105,600	515,050	
Gas	$173.31	$161.19	$152.60	$164.11	$83.64	$206.83	$941.76
Electricity	58.50	58.50	58.50	58.50	58.50	81.90	374.40
Labor	2,412.71	2,176.05	2,210.53	1,415.87	1,705.43	2,969.92	12,890.51
Total							14,206.67

Because of area differentials in cost of labor and utilities and that the costs have been apportioned, costs vary widely between plants. So it appears that no basis exists for comparing the costs of the commercial operation in San Antonio with those of an Army operation. The weighted average cost of the Army plants, considering only the elements of direct labor and utilities amounted to $0.0068944 per pound of roasted coffee. The contractor cost of $0.006499 per pound of green coffee, amounts to $0.007733 per pound of roasted coffee.

Navy.—The Navy operates two roasting plants: Brooklyn, N. Y., and Oakland, Calif. The Navy does not contract for the commercial roasting and grinding of coffee.

The coffee roasting plant at Brooklyn is installing new equipment and this modernization expansion program is scheduled for completion by March 15, 1952. When completed there will be nine roasters and grinders in operation, having a rated 90,000-pound capacity per 8-hour shift. It is estimated that about 75 percent of the roasting capacity may be vacuum packed. The plant normally operates on a two-shift per day schedule and, on that operating basis, the monthly capacity will approximate 4 million pounds. This potential compares with an average monthly production volume this year of 1,500,000, of which 1,275,000 (85 percent) is issued to naval activities and 225,000 pounds (15 percent) is issued to Army and Air Force activities. This volume consisted of 73.5 percent bagged coffee and 26.5 percent vacuum packed.

The plant located at Oakland has had six burners in operation since May 16, 1951, when new equipment was installed. The rated capacity for roasting, grinding, and vacuum packing is 72,000 pounds per 8-hour shift. The potential monthly production on a two-shift-per-day basis is in the neighborhood of 3 million pounds. The average monthly production, during 1951, was about 2,100,000 pounds, of which 27.5 percent was bagged, while 72.5 percent was vacuum packed. Of this, the Navy received 1,200,000 (57.2 percent) while as much as 900,000 pounds (42.8 percent) was produced for the Army and Air Force.

After March 15, 1952, when the new equipment will be installed at Brooklyn, the combined monthly production capacity at both plants, operating on a two-shift schedule, will have a potential of about 7 million pounds. This new capacity compares with the actual aggregate average monthly production in 1951 of roasted coffee of some 3,600,000 pounds, of which 2,475,000 pounds (68.7 percent) was for the Navy and 1,120,000 pounds (31.3 percent) for the Army.

The following is a tabulation of production in the Navy coffee roasting plants:

1951	Oakland			Brooklyn			Aggregate total
	Bagged	Vacuum	Total	Bagged	Vacuum	Total	
September	286,100	838,840	1,124,940	711,650	552,520	1,264,170	2,389,110
August	448,818	922,360	1,371,178	1,070,550	475,880	1,546,430	2,917,608
July	351,250	798,200	1,149,450	1,862,400	506,200	2,368,600	3,518,050
June	316,300	951,640	1,267,940	1,063,250	407,680	1,470,930	2,738,870
May	619,668	1,584,640	2,204,308	1,174,700	353,480	1,528,180	3,732,488
April	868,050	1,520,440	2,388,450	1,081,250	406,360	1,487,610	3,876,060
March	701,500	2,344,440	3,045,940	1,189,050	359,420	1,548,470	4,594,410
February	732,950	1,811,440	2,544,390	1,024,350	263,260	1,287,610	3,832,000
January	648,200	2,364,960	3,013,160	1,095,350	382,120	1,477,470	4,490,630
Total	4,972,836	13,136,920	18,109,756	10,272,550	3,706,920	13,979,470	32,089,226
Monthly average	552,574	1,459,640	2,012,214	1,141,396	411,880	1,553,276	3,565,490

The costs of processing the green coffee in Navy plants are accumulated under a funded operation and include all elements of cost except amortization of equipment and buildings, initial cost of equipment and pay of military personnel. Coffee processed in these plants when issued to messes is reimbursed from the appropriations which finance feeding of personnel. It is also sold for cash to other consumers, which moneys are used to reimburse the fund.

The operating costs from July to October 1951 for the Brooklyn plant are tabulated below:

Cost statement by products, month of October 1951

	Current calendar month		July 1 to date	
	Navy bags	Navy tins	Navy bags	Navy tins
Unit process costs:				
Roasting	$0.003561	$0.003561	$0.003993	$0.003993
Vacuum-packing labor		.003330		.003284
Packaging in cartons		.002480		.002044
Bagging labor	.000861		.000921	
Material:				
Green coffee	.651207	.651207	.662700	.662700
Tins		.020021		.020031
Cartons		.012389		.012089
Bags	.012201		.012205	
Total cost per pound	.667830	.692988	.679819	.704141
Current issue or sales price per pound	$0.67	$0.70		
Average issue or sales price per pound			$0.681415	$0.707593
Pounds produced	1,023,950	465,320	3,668,550	1,999,920
Total cost	$683,824.53	$322,461.18	$2,492,648.56	$1,409,592.62
Issue or sales price	686,046.50	325,724.00	2,499,803.50	1,415,130.00
Gain	2,221.97	3,262.82	7,154.94	5,600.38

	Total issue or sales price	Total actual cost	Actual gain
Current month	$1,011,770.50	$1,006,284.80	$5,485.70
July 1 to date	3,914,933.50	3,902,177.06	12,756.44

Cost statement by processes, month of October 1951

	Current month			Unit cost	Pounds	Total cost
	Unit cost	Pounds	Total cost			
Roasting:						
Miscellaneous labor and supplies		1,489,270	$625.69		5,668,470	$4,859.25
Heat			48.17			48.17
Electricity			156.80			496.20
Gas			867.23			2,828.09
Water			101.84			278.48
Direct labor			2,128.92			8,141.24
Sick leave			109.60			423.05
Time allowed			10.36			10.36
Annual leave			198.28			1,578.99
Supervision			966.16			3,611.49
Total roasting	$0.003561	1,489,270	5,303.05	$0.003993	5,668,470	22,633.88
Vacuum labor	.003330	465,320	1,549.66	.003284	1,999,920	6,567.88
Packaged in cartons	.002480	465,320	1,153.97	.002044	1,999,920	4,087.95
Bag labor	.000861	1,023,950	881.24	.000921	3,668,550	3,378.34
Mat-coffee	.651207	1,489,270	969,823.08	.662700	5,668,470	3,756,497.09
Mat-tins	.020021	465,320	9,316.00	.020031	1,999,920	40,060.00
Mat-bags	.012201	1,023,950	12,492.80	.012205	3,668,550	44,774.00
Mat-cartons	.012389	465,320	5,765.00	.012089	1,999,920	24,177.92
Total cost			1,006,284.80			3,902,177.06

Material statement, month of October 1951

Green coffee	Variety	Pounds	Unit cost or price	Amount
Issued to plant	Santos	1,256,866	$0.54	$678,707.64
	Colombians	493,416	.59	291,115.44
		1,750,282		969,823.08
Lost in roasting (14.91 percent)	Santos	187,431	.54	101,212.74
	Colombians	73,581	.59	43,412.79
		261,012		144,625.53
Roasted coffee produced	Santos	1,069,435	.54	577,494.90
	Colombians	419,320	.59	247,702.65
	Bags	1,023,950		
	Tins	465,320		
		1,489,270		
		Number		
Tins		23,290	.40	9,316.00
Bags		20,480	.61	12,492.00
Cartons		15,170	(1) (2)	5,765.00

[1] 14,000 at $0.37.
[2] 1,170 at $0.50.

Marine Corps

The Marine Corps operates a small coffee plant at Philadelphia. It consists of one burner and has a roasting capacity of 6,800 pounds for an 8-hour shift. It is roughly estimated that it has a rated production capacity, operating with two shifts, sufficient to roast monthly approximately 275,000 pounds. The actual monthly production of roasted coffee this year averaged about 110,000 pounds.

The costs of operating this plant are absorbed in the costs incident to the operation of the depot.

SECTION 9. STORAGE AND DISTRIBUTION

This section outlines the storage and distribution systems of the military departments for (*a*) green coffee and (*b*) roasted coffee.

Army

Green coffee.—The Army stores and distributes the green coffee bean for issue to (*a*) overseas mobile coffee roasting units, (*b*) Army coffee roasting plants in

the continental United States, and (*c*) commercial concerns roasting coffee under Army contract.

Green coffee is stored at Army depots and Army roasting plants with the exception of quantities required to be on hand at contract roasters in Denver and San Antonio. Depots storing the green coffee bean are (*a*) New Cumberland General Depot, (*b*) Belle Meade General Depot, (*c*) Atlanta General Depot, (*d*) Memphis General Depot, (*e*) San Antonio General Depot, (*f*) Chicago Quartermaster Depot, and (*g*) Sharpe General Depot in Tracey, Calif. Army coffee roasting plants are located at Atlanta, Chicago, and Seattle.

The Army imports through New York, New Orleans, Houston, San Francisco, and Seattle. Imports at New York have been shipped to Belle Meade until recently; they are now directed to New Cumberland. Green coffee stored at Belle Meade and New Cumberland supports overseas requirements through the New York Port. Green coffee imports at New Orleans are shipped to the Army depots at Atlanta, Memphis, and Chicago. Shipments to Chicago and Atlanta support the coffee roasting and grinding activities located at these installations. Shipments into Memphis are for use at either Atlanta or Chicago, or for shipment overseas. Stocks at Atlanta are also shipped back through the New Orleans Port to meet overseas requirements. Green bean imports at Houston are shipped to San Antonio, for transfer as required to the commercial concerns roasting coffee under Army contract. Green bean imports at San Francisco are shipped to the Army Sharpe General Depot at Tracey, Calif. These stocks are shipped out as required back through the San Francisco Port to overseas installations and to the commercial concern at Denver which roasts coffee under Army contract. Green bean imports at Seattle are stored at the coffee roasting plant in that city.

Roasted and ground coffee.—The Army distributes roasted coffee from the Army roasting plants and from three commercial contractors, and controls distribution through the Army Quartermaster depot distribution system and the Army Quartermaster market center system. The Army also issues roasted coffee to Air Force using activities, and to several Navy installations under an Army-Navy cross-servicing agreement.

Roasted coffee is distributed either as whole bean coffee in 50-pound paper bags, as roasted and ground coffee in 50-pound paper bags, or as roasted and ground coffee in 19- to 20-pound vacuum-packed tins. Storage within the Army depot distribution system is limited to vacuum-packed coffee which is destined ultimately for overseas shipment. Coffee in 50-pound paper bags is normally shipped direct to using activities from the roasting plant, except in those instances where shipments are made to distribution points for further distribution to using activities, when transportation savings can be realized.

The Army distribution cycle for the supply of coffee to using activities in the continental United States originates with the submission of monthly requisitions from such activities. The requisitions reflect weekly deliveries desired by the using installation. The requisitioning channels for the distribution of coffee within the Army and Air Force vary so that some requisitions are submitted through the Army Quartermaster depot distribution system and others through the Army Quartermaster market center system.

Distribution to 28 Army and Air Force activities in New York, New Jersey, Massachusetts, Maine, Pennsylvania, and New Hampshire is controlled by the Army Quartermaster market center in New York. The coffee is processed by the Navy Brookly coffee roasting plant. Distribution is direct from the plant to the using activities. The Navy coffee plant also vacuum packs coffee in 20-pound tins for shipment through the New York Port of Embarkation for Army and Air Force overseas activities.

Distribution to 32 Army and Air Force and 7 naval installations in Indiana, Illinois, Michigan, Kentucky, Missouri, Ohio, Wisconsin, Nebraska, Minnesota, Tennessee, and Kansas is controlled by the Army Quartermaster market center in Chicago. The coffee is processed by the Army coffee roasting plant at the Chicago Army Quartermaster Depot. Distribution is direct from the plant to the using activities.

Distribution to 36 Army and Air Force activities in Mississippi, North Carolina, South Carolina, Georgia, Alabama, Tennessee, Florida, and Louisiana is controlled by the Army Atlanta General Depot. The coffee is processed by the Atlanta coffee roasting plant located at the depot. Distribution is direct from the plant except that the Army Quartermaster Richmond Market Center and the Market Center Distribution Point in Alexandria, Virginia, redistribute coffee

to satellited installations. The Richmond Market Center redistributes to 10 activities in Virginia, Delaware, and Maryland, and the District of Columbia. Roasted coffee in 20-pound vacuum tins is produced at the coffee plant in Atlanta, for distribution to overseas activities of the Army and Air Force. A reserve stock of vacuum-packed coffee is maintained at the Atlanta Depot. Stock rotation is practiced with respect to the reserve stock of vacuum-packed coffee.

Distribution to 44 Army and Air Force activities in Texas, Louisiana, New Mexico, and Oklahoma is controlled by the San Antonio General Depot. The coffee is processed from green coffee bean furnished from the San Antonio Depot by two commercial contractors located in San Antonio. Distribution is direct from the contractor's plant to using activities. Depot representatives physically inspect, weigh, and inventory coffee on hand in the contractors' warehouses. Physical inventories are taken weekly.

Distribution to 26 Army and Air Force activities in California, Arizona, and Nevada is controlled by two Army Quartermaster market centers, one in Los Angeles and the other in San Francisco. The coffee is processed by the Navy coffee plant in Oakland, Calif. Distribution to the 15 installations controlled by Los Angeles Market Center is from the Navy coffee plant to the market center distribution point in Los Angeles from which point redistribution is made to the appropriate installations. Distribution to the 11 installations controlled by the San Francisco Market Center is direct from the Navy coffee plant to the using activities. Roasted coffee in 20-pound vacuum tins is produced at the Navy coffee roasting plant in Oakland, for shipment to overseas activities of the Army and Air Force through the San Francisco Port of Embarkation.

Distribution to 10 Army and Air Force activities in Colorado, South Dakota, Utah, and Wyoming is controlled by the Quartermaster market center in Denver. The coffee is processed by contractor from green coffee bean furnished from the Army Sharpe General Depot at Tracey, Calif., by a commercial concern located in Denver. Delivery is direct from the contractor's plant to the using activities.

Distribution to 11 Army and Air Force activities in Washington, Oregon, Montana, and Idaho is controlled by the Army Quartermaster market center in Seattle. The coffee is processed by the Auburn General Depot coffee plant in Seattle. Distribution is direct from the coffee plant to using activities. Roasted coffee in 20-pound vacuum tins is produced at the Seattle plant for distribution to overseas activities of the Army and Air Force through the Seattle Port of Embarkation.

The attached tables reflect stock status information relating to green and roasted coffee in the Department of the Army.

TABLE I.—*Coffee status report, Army and Air Force, Dec. 31, 1950, through Oct. 31, 1951*

[In 1,000 pounds]

Month	Green bean			Roasted or roasted and ground		
	On hand	Due in from procurement	Issues through ports of embarkation	Vacuum pack on hand	Vacuum pack issues	Roasted or roasted and ground 50-pound bag issues
December 1950	10,558	35,178	1,485	1,100	5,033	3,185
January 1951	10,107	36,889	808	2,011	1,755	2,106
February 1951	16,711	28,403	116	3,463	1,389	2,312
March 1951	30,785	35,357	1,132	3,931	920	2,704
April 1951	51,937	11,707	735	3,974	2,287	2,793
May 1951	58,399	24,837	1,225	1,880	3,279	2,356
June 1951	64,610	18,303	1,389	2,084	1,112	1,562
July 1951	68,968	14,471	1,092	2,275	1,171	2,127
August 1951	73,007	7,838	749	626	3,482	1,381
September 1951	75,026	2,217	1,042	2,376	2,089	1,511
October 1951	72,651	632	618	3,993	1,550	2,019
Total			10,391		24,067	24,056
Monthly average, 11 months	48,433	19,621	945	2,519	2,188	2,187

TABLE II.—*Coffee status report—Army and Air Force by geographical locations—August, September, and October, 1951*

[In 1,000 pounds]

Storage location or description	August 1951			September 1951			October 1951		
	Green bean on hand	Green bean due in procurement	Vacuum packed on hand	Green bean on hand	Green bean due in procurement	Vacuum packed on hand	Green bean on hand	Green bean due in procurement	Vacuum packed on hand
Atlanta General Depot	11,668	228	413	10,743		950	9,637		1,003
Memphis General Depot	9,268	3,292		13,128	174		13,486		
Chicago Quartermaster Depot	12,256	2,012		12,871	1,067		13,226	632	
San Antonio General Depot	9,467	995		10,033	69		9,600		
San Antonio (2 commercial plants)	68			194			239		
San Antonio (in transit to 2 commercial plants)	143			71			144		
Belle Meade General Depot	8,912	1,311		8,599	907		8,053		
New Cumberland General Depot							774		
Seattle port of embarkation	16,746		213	16,342		1,542	13,328		2,910
Sharpe General Depot (Tracey warehouse)	4,085			2,861			3,657		
Denver, Colo. (commercial plant)	197			83			307		
In transit from Sharpe to commercial plant	201			100			200		
Total	73,011	7,838	626	75,025	2,217	2,492	72,651	632	3,913

TABLE III.—*Issues of green coffee bean in support of Army and Air Force activities overseas*

[In 1,000 pounds]

Month	From Belle Meade General Depot through New York port of embarkation	From Sharpe General Depot (Tracey) through San Francisco port of embarkation	From Atlanta General Depot through New Orleans port of embarkation	Total
December 1950	1,410	53	30	1,493
January 1951	631	73	105	809
February 1951	75	47	88	210
March 1951	990	124	18	1,132
April 1951	732		8	740
May 1951	1,135	41	48	1,224
June 1951	1,212	82	42	1,336
July 1951	1,093	45	45	1,093
August 1951	539	48	162	749
September 1951	717	129	196	1,042
October 1951	545	6	66	617
Total	8,989	648	808	10,445

Navy

Green coffee.—The Navy does not distribute green coffee to overseas activities. All requirements are received through the ports of New York and San Francisco and stored in depots in or proximate to the roasting plants. During World War II the Navy temporarily operated a roasting plant in Hawaii and the green bean required for this operation was shipped from Oakland, Calif.

Inventories of green bean of coffee for 1951 are tabulated below:

Green bean inventory

[In 1,000 pounds]

	On hand (end of month)			Due in (end of month)		
	Brooklyn	Oakland	Total	Brooklyn	Oakland	Total
1951—September	2,933	20,479	23,413	3,496	4,993	8,481
August	4,075	15,295	19,371	1,980	10,263	12,243
July	4,763	11,415	16,179	1,107	10,986	12,093
June	4,122	9,533	13,656	2,361	5,625	7,986
May	3,563	7,508	11,071	2,570	9,781	12,351
April	3,708	7,273	10,981	4,228	2,577	6,805
March	2,831	8,419	11,251	1,416	4,962	6,378
February	1,493	7,068	8,561	4,578	6,310	10,888
January	1,992	8,802	10,795	1,395	2,487	3,882

Roasted and ground.—Article 41244–1, Supply and Accounting Manual (commissary, clothing and small stores, and ships' stores) provides that the roasting plants will pack coffee for distribution in—

"(1) Roasted bean in 50-pound bags for use by continental United States activities ashore equipped with coffee-grinding machines;

"(2) Roasted and ground in 50-pound bags for use by continental United States activities ashore not equipped with coffee grinding machines; and

"(3) Roasted and ground in 20-pound vacuum packed cans for use by vessels and activities outside continental United States."

In case of bagged coffee, all shore activities submit requisitions directly to the Naval Clothing Facility, Brooklyn, or the Naval Supply Center, Oakland, (where the Navy plants are located) unless it is more practicable to submit requisitions to the nearest distribution point. Stocks of vacuum-packed coffee are maintained by distribution points and primary stock points through requisitions submitted to the roasting plants. Production requirements by type of pack are ascertained at the beginning of each month and from which a daily workload is scheduled.

The Brooklyn plant roasts and distributes coffee on the east coast to Navy activities, Federal prisons, Public Health Service activities, and directly to Army and Air Force activities as directed by the New York Quartermaster

Market Center. The general distribution pattern, based on average monthly shipments this year to the larger requisitioning agencies was:

Shipments

Requisitioning agency	Number/ pounds per month	Average frequency of shipments	Percent of plant's total production
NTS Bainbridge, Md	50,000	Monthly	3.5
Boston Navy Ship Yard	39,000	do	2.7
NSD Bayonne	35,000	do	2.4
Charleston Navy Ship Yard	32,000	do	2.3
NAS Corpus Christi	10,000	do	.7
NAS Jacksonville	50,000	do	3.5
SB New London	28,000	do	2.0
NSS Norfolk	600,000	do	41.0
NSD Newport	106,000	do	7.2
NAS Pensacola	20,000	do	1.4
Philadelphia Navy Ship Yard	42,000	do	2.8
Army QMG, New York	400,000	Weekly	27.0
Miscellaneous activities	50,000	Monthly	3.5

These primary distribution points issued, in turn, coffee to their dependent activities. A representative primary distribution point on the east coast is the Naval Air Station, Jacksonville. As indicated above, the inventory is replenished monthly from the Brooklyn plant. A breakdown of the requisitioning cycle from its satellites ashore for the months of September, October, and November, is as follows:

	Kind	September	October	November	Frequency
		Pounds	*Pounds*	*Pounds*	
NAF, Glynco, Ga	Ground	800	600	0	Monthly.
	Bean	500	0	1,000	Do.
NS, Green Cove A, Fla	Ground	0	3,000	300	Do.
NS, Key West, Fla	do	0	10,000	10,000	Do.
	Vacuum packed	6,000		6,000	Do.
NAS, Miami, Fla	do	480	2,400	1,600	Do.
NAAS, Cecil Field, Fla	Ground	1,500	1,500	500	Semimonthly.
NAAS, Sanford, Fla	Vacuum packed	2,520	0	2,000	Monthly.
NAS, Jacksonville:					
Commissary department	Ground	2,700	0	0	Weekly.
	Bean	4,850	6,750	9,500	Do.
Commissary store	Vacuum packed	800	800	0	Monthly.
	Bean	5,000	8,000	5,000	Do.
BOQ	Vacuum packed	240	400	400	Do.
Officers' mess	Bean	150	350	300	Do.
Naval hospital	Vacuum packed	1,000	1,000	2,000	Do.

Naval activities located in the Fourth, Ninth, and Tenth Naval Districts receive coffee from the Army roasting plant in Chicago. This is the only area in which the Navy is utilizing the Army roasting facilities. The following tabulation gives a breakdown of shipments, in pounds, during recent months:

	Kind	September	October	November	Frequency
Commissary officer, Great Lakes	Bean	38,050	40,950	38,850	Daily.
Commissary store, Great Lakes	do	12,000	12,000	12,000	Weekly.
Naval hospital, Great Lakes	do	5,500	5,500	5,500	Do.
Navy exchange, Great Lakes	do	5,000	5,000	5,000	Do.
Naval air station, Columbus	do	1,300			Quarterly.
Naval air station, Grosse Ile, Mich	do	2,000			Do.
Naval air station, Minneapolis	do		2,000		Do.

Navy and Marine activities located in the Eleventh, Twelfth, and Thirteenth Naval Districts are supplied with coffee from the Oakland plant, together with the distribution to Army activities as directed. The breakdown of the average monthly shipments to major consumers and distribution points follows:

Requisitioning agency	Number of pounds per month	Average frequency of shipments	Number of pounds vacuum packed	Percent of plants total production
Ships afloat			324,911	15.6
Oversea bases			266,991	12.8
NAD San Diego	44,000	2 weeks	183,000	11.0
NAD San Pedro			33,333	1.6
NAD Seattle	28,330	2 months	135,000	7.5
Treasure Island	34,700	3 weeks	844	1.7
NSYD Mare Island	16,189	2 weeks		.8
NSYD San Francisco	11,194	10 days		.6
NAS Alameda	10,722	do		.5
NAS Moffett Field	9,444	1 month		.4
Naval Hospital, Oakland	6,933	3 weeks		.3
Camp Pendleton, MC	87,778	do		4.2
Federal Supply, San Francisco			4,680	.2
OQMG, Los Angeles	111,872	1 week	2,200	5.7
OQMG, San Francisco	144,990	do		7.1
Utah General Depot			604,351	30.0

The Naval Supply Depot, San Diego, the largest naval distribution point on the west coast, receives bagged and vacuum-packed coffee from Oakland on regular replenishment cycle. A breakdown of the dependent shore activities serviced by NAS, San Diego, follows:

	Kind	September	October	November	Frequency
		Pounds	*Pounds*	*Pounds*	
NTC, San Diego	Ground	42,000	21,000	21,000	Monthly.
NS, San Diego	Bean	5,600	9,300	8,400	Triweekly.
NAS, San Diego	do	20,000	10,000	20,000	Monthly.
	Ground	3,000			
NOB, San Diego	Bean	5,000	6,000	9,000	Triweekly.
Naval Hospital, San Diego	do	5,000	7,500	7,500	Monthly.
NAAS, Miramar	do	5,000	4,000	5,000	Do.
	Vacuum packed			5,000	
NSD, Elliott Annex	do	6,000	8,400	6,000	Do.
NTC, Elliott Annex	Ground	9,600			
Fleet, sonar school	Vacuum packed	1,520			
	Ground				
Radio station, Imperial Beach	Vacuum packed		240	800	
NAAS, Litch Park, Ariz	do			1,520	

Marine Corps.—The Marine Corps does not distribute green bean to overseas installations. Requirements are imported through the ports of New York and Philadelphia and stored at the Philadelphia depot where the Marine Corps roasting plant is located. Inventories of green bean coffee for 1951 are tabulated below:

[In thousand pounds]

	On hand	Due in		On hand	Due in
1951—September	1,072		1951—April	71	729
August	1,134	84	March	175	
July	1,155	154	February	488	
June	1,082	263	January	634	
May	885	168			

Marine Corps

Roasted and ground.—The Marine Corps activities located in San Francisco, Port Chicago, Calif.; Clearfield, Utah; and Hawthorne, Nev., receive roasted, bagged coffee directly from the Navy plant in Oakland. However, over 98 percent of the coffee supplied by Oakland for the Marine Corps is shipped to Camp Pendleton, Calif., from which the dependent activities located at San Diego, El Torro, and Barstow are serviced.

In the East, the Marine Corps supplies roasted coffee to all of its major activities from its roasting plant in Philadelphia. These activities are located at Bingham, Mass.; Quantico, Va.; Lejeune and Cherry Point, N. C.; Parris Island, S. C.; and Crane, Ind.

PART VI. INDUSTRY CAPACITY TO ROAST, GRIND AND PACKAGE COFFEE TO MEET MILITARY REQUIREMENTS

In considering this aspect of the problem, several commercial coffee roasting and grinding plants as well as the Department of Commerce, Bureau of Census, and the National Coffee Association in New York were visited. A résumé of the data collected follows:

There are approximately 1,250 coffee dealers in the United States. Many of them import coffee only; others import, roast, and sell; others roast coffee only. Many are small jobbers and trade roasters. Of this number, approximately 375 are coffee-roasting and grinding firms who are the principal manufacturers of roasted coffee and they are distributed regionally as follows:

New England	24	East South Central	26
Middle Atlantic	90	West South Central	49
East North Central	60	Mountain	10
West North Centra	33	Pacific	49
South Atlantic	34		

During 1947 these firms processed 1,865 million pounds of green coffee. During 1951 the military departments processed 100 million pounds.

An official of the National Coffee Association estimated that of the 375 concerns approximately 100 firms are sufficiently large and have the facilities and equipment to roast appreciable portions of the military requirements. In their opinion, no one concern has the equipment and facilities necessary to meet all military needs. Only four or five of the relatively small commercial firms are equipped to vacuum-pack coffee in 20-pound tins, in which containers, approximately to 50 percent of military-consumed coffee is packed.

During 1951, the military services consumed approximately 1,000,000 bags of green coffee. If the Great Atlantic & Pacific Tea Co. undertook to furnish all these requirements, it would be necessary for them to increase their production by approximately 40 percent; General Foods by approximately 66 percent; Standard Brands and Jewel Tea by 500 percent.

The following table indicates the quantities of coffee imported by the leading importers and processors of coffee in the United States (extracted from industry reports—George Gordon Paton & Co.):

Name	Number of bags, 1948	Original weight, 1949	Legend
Great Atlantic & Pacific	2,524,781	2,474,780	(1)
General Foods	1,492,496	1,562,435	(1)
J. Aron & Co	1,286,850	1,374,900	(2)
Otis McAllister	1,111,121	1,102,121	(2)
J. A. Folger Co	684,121	767,814	(1)
Hills Bros	670,980	736,535	(1)
Leon Israel & Bros	597,052	665,537	(2)
S. F. Pellas	344,449	479,780	(2)
The Kroger Co	453,456	445,980	(1)
Standard Brands	342,786	258,263	(1)
Jewel Tea Co	218,875	214,490	(1)
East Asiatic Co	53,499	161,017	(2)

[1] Imports, roasts, grinds, and sells under brand names.
[2] Imports for sale to military departments and commercial concerns which do not import green coffee.

During the initial phases of this study, an effort was made to determine why the military departments expanded their coffee roasting and grinding operations. It was ascertained that during the early part of World War II an attempt was made by the military departments to secure roasted and ground coffe for military use from commercial sources. The green bean was furnished to commercial firms by the Government and roasted and ground coffee was obtained as required. No instance was found where the commercial roaster financed the purchase of green coffee for use by the military. There were three main problems involved in this type of operation: packaging, warehousing, and quality control.

Packaging.—Coffee for military use is packaged in 50-pound bags or in 20-pound vacuum-sealed tin containers. This is entirely different from the packaging operation for the commercial trade. While 50-pound bags offer no great problem, it would be necessary for the processor to install special filling and closing equipment for 20-pound vacuum tins in order to handle military business.

Warehousing.—In order for commercial firms to efficiently handle Government contracts for coffee roasting, it is necessary that they maintain warehousing space adequate to separately store military stocks which, in general, exceed that usually held by the processor.

Quality control.—This appears to be the greatest single factor which contributed to the expansion of coffee roasting operations by the military departments. During 1940–41, excellent green bean coffee was procured by the Army and furnished to commercial plants for roasting and grinding. Individuals who were not established coffee roasters would buy used coffee processing equipment and, in some instances, obtain Government contracts for this work. The quality of work performed by such organizations was unsatisfactory. In some instances, improper roasts and grinds were turned out. By using a low roast, more moisture was retained in the coffee and the shrinkage factor reduced to the point that the quality of the finished product was definitely impaired. In other instances, inferior grades of green coffee were substituted for Government coffee. In order to control this phase of a commercial operation, a continuous inspection service would be required, as well as considerable administrative control and supervision.

APPENDICES

Appendix I. Department of Defense Directive, dated August 9, 1951.
Appendix II. Report on Cost Study of Coffee Roasting Plant, Naval Supply Center, Oakland, Calif.
Appendix III. Letter to National Coffee Association from Vice Chairman for Supply Management, dated August 25, 1952.
Appendix IV. National Coffee Association letter in reply to August 25 letter from Vice Chairman for Supply Management.

APPENDIX 1

August 9, 1951
Number 250.11–2

DEPARTMENT OF DEFENSE DIRECTIVE
WASHINGTON 25, D. C.

Title 250—Supply Management.
Subtitle 11—Matériel Control.
Number 250.11–2—Supply Systems Study Project.

1. The purpose of this directive is to establish a Department of Defense Supply Systems Study Project which is designed to facilitate (1) the implementation of that portion of my directive of May 31, 1951, which requires the Munitions Board, in conjunction with the Office of the Assistant Secretary of Defense (Comptroller), to provide for effective review of the methods and adequacy of the inventory control systems and procedures maintained by each military department, and (2) the implementation of my directive of July 17, 1951, which clarifies certain Department of Defense supply management policies.

2. Accordingly, the basic purpose of the Department of Defense Supply Systems Study Project will be to develop and recommend such changes to existing organization, policies, standards, and procedures governing the supply operations within the Department of Defense as will maintain or increase military effectiveness and produce the optimum efficiency and economy of these supply operations from the initial requirements and resources planning stage to final consumption or other disposition.

3. In accordance with paragraph 7 of the July 17, 1951, directive of the Acting Secretary of Defense (Department of Defense Directive No. 250.01–1), the Joint Chiefs of Staff will review the proposed system or elements of the system as they are developed for the purpose of determining whether such a system will effective support military operations. Similarly, in accordance with paragraph 8 of the directive, the Assistant Secretary of Defense (Comptroller) will cooperate with and advise the Munitions Board in these studies.

4. The inclosure outlines in further detail the plan approved for this Project. It is my desire that this Project be given priority attention and your full support.

ROBERT A. LOVETT, *Acting Secretary.*

Inclosure (1)

25062—53——28

Department of Defense Supply Systems Study Project

I. SCOPE AND APPROACH

The Department of Defense Supply Systems Study Project will encompass the examination of the organization, policies, standards, and procedures governing the supply systems of the military services within the United States and overseas. In carrying out the Project work, when categories of matériel are selected for study they will normally be selected from the Standard Matériel Category Grouping System approved by the Munitions Board on September 7, 1950. For each of the typical categories of matériel selected, detailed examination will be made of the policies, standards, and procedures governing the functions of requirements computation, procurement, distribution and redistribution, maintenance, budgeting and financing. Examination also will be given on a priority basis to the feasibility of assigning to a single military department responsibility for procurement, distribution, including depot storage and issue, and maintenance of common categories of supply. The Medical and Dental Category shall have first priority of this type of study. The Munitions Board staff will prepare for Munitions Board approval a program for additional studies beyond this category.

II. OBJECTIVES

The objectives of the Supply Systems Study Project will be to develop policies, standards, and procedures:

(*a*) To promote the maximum military effectiveness throughout the Department of Defense in the field of matériel logistics.

(*b*) To promote economy and efficiency throughout the Department of Defense in the field of matériel logistics.

(*c*) To promote the maximum practicable comparability for budget development in the field of matériel logistics.

III. ORGANIZATION AND ADMINISTRATION

Over-all responsibility for the Supply Systems Study Project is vested in the Munitions Board. Subject thereto, primary responsibility for the organization, direction, and control of the Supply Systems Study Project, including the selection of categories of matériel, is delegated to the Chairman of the Munitions Board, it being expressly understood that selection of categories to be studied shall be subject to approval of the Munitions Board. In exercising this responsibility the Chairman of the Munitions Board will obtain the advice of the Supply Management Advisory Council as to categories or areas to be studied, priorities for studies, target dates for completion, and quality and numbers of personnel to be employed.

The Supply Systems Study Project will be headed by a Project Director who shall be appointed by the Chairman of the Munitions Board and who shall be responsible for the detailed planning, organization, and control of the Project work. The Project Director will be assisted by such Assistant Project Directors as are required, who shall be selected from personnel nominated by the Defense Management Committee, the Joint Chiefs of Staff, the Assistant Secretary of Defense (Comptroller), the military departments, and other appropriate Department of Defense agencies.

The Vice Chairman for Supply Management is authorized to call upon the military departments for information, technical advice, and, after consultation with Supply Management Advisory Council, the detail of personnel to assist in the Supply Systems Study Project. Personnel may be requested for temporary, full-time detail to form work groups or for part-time consultation. Such personnel must be acceptable to the Vice Chairman for Supply Management. Calls for departmental or agency personnel shall be kept to the minimum consistent with the necessity for prompt and satisfactory results in accordance with target dates established.

In conduct of the Project work the fullest practicable use shall be made of factual information and data of all types which have been developed or are under development within the Department of Defense and its agencies, the Congress, research and educational institutions or industry, in order that duplication and overlapping or repetition of effort may be avoided.

APPENDIX 2

REPORT ON COST STUDY OF COFFEE ROASTING PLANT, NAVAL SUPPLY CENTER, OAKLAND, CALIFORNIA, JULY 16, 1951

CONTENTS

Comments.	
Summary of total cost by type of package per 100 pounds of coffee, packed ready for shipment, for period Jan. 1, 1951, to April 30, 1951	Exhibit A and schedules 1–2.
Cost of warehousing and processing coffee by type of package, exclusive of cost of coffee and containers, for period Jan. 1, 1951, to Apr. 30, 1951	Exhibit B and schedules 1–8.
Cost per 100 pounds of roasted coffee of warehousing and processing, exclusive of coffee and container costs, for period Jan. 1, 1951, to Apr. 30, 1951	Exhibit C and schedules 1–7.
Cost of bag, carton, and tin containers, and green coffee, exclusive of warehousing costs, for period Jan. 1, 1951, to Apr. 30, 1951	Exhibit D.
A graphic presentation of the coffee roasting process, showing cost centers	Exhibit E.
Comparative statement of packaged coffee costs and issue prices	Exhibit F.

COMMENTS

PURPOSE AND SCOPE OF STUDY

1. In accordance with the request of the Chief of the Bureau of Supplies and Accounts, the supervisory cost inspector, western area, has conducted a cost study of the operations of the coffee roasting plant, Naval Supply Center, Oakland, Calif., for the purpose of determining the cost of producing each of the standard units of issue of roasted coffee, packaged ready for shipment from the plant. Constructive costs for cost elements which are not normally taken into account in determining costs of a Government productive operation have been included in order that the costs developed can be compared with similar commercial operations.

2. The costs developed by the supervisory cost inspector, based on operations during the period January 1, 1951, to April 30, 1951, are summarized in exhibit A and detailed in the accompanying exhibits and schedules.

3. Subsequent to April 30, 1951, the productive capacity of the coffee roasting plant has been increased by the installation of additional equipment comprised of two roasters, a green coffee mixer and a granulator and the leasing of one additional vacuum tinning machine. Due to the recency of these installations it was not possible to measure accurately their effect upon costs. However, this expanded productive capacity should result in decreased unit costs as compared to unit costs during the period of this study for the following cost elements:

(*a*) Labor and supervision and payroll burden:
  (1) Proportionate increases in the number of men for the increased production will not be required in the cleaning and roasting, tinning and cartoning, and roasted coffee warehousing cost centers.
  (2) Supervision costs will be spread over increased production.
  (3) The incurrence of overtime and night-shift premium costs may be reduced.

(*b*) Fixed costs applicable to buildings and land such as taxes, fire insurance and repairs and maintenance will be absorbed by increased production.

These decreased costs will be partially offset by additional depreciation applicable to the new facilities, the acquisition costs of which were considerably higher than the acquisition cost of similar facilities which were part of the orginal installation.

COST CENTERS

4. Roasted coffee is packaged in three standard units of issue:
(*a*) Bagged—whole bean, in 50-pound bags
(*b*) Bagged—ground, in 50-pound bags
(*c*) Tinned—ground, in two 20-pound tins to a carton

To determine costs for these standard units of issue, operations were segregated into the following cost centers:

(*a*) Warehousing:
- (1) Green coffee (see par. 5)
- (2) Empty tins and cartons
- (3) Packaged roasted coffee (temporary storage)

(*b*) Processing:
- (1) Cleaning and roasting
- (2) Grinding
- (3) Bagging
- (4) Tinning and cartoning

The establishment of these cost centers made it possible to effectively accumulate costs from the time the green coffee was received at the plant until the packaged roasted coffee was ready for shipment—see exhibit B and supporting schedules. As will be noted therefrom, no warehousing costs for empty bags have been set out separately for the reason that such costs were so inconsequential. Attention is invited to exhibit E for an indication of the processing operations within each cost center.

5. No consideration has been given in this report to any warehousing and transportation costs which are incurred or applicable to permanent storage facilities for green coffee at the Naval Supply Annex, Stockton, Calif. The reason for this omission is that, in the case of an independent commercial concern, the green coffee would be received at the commercial concern's plant in no greater quantities than plant storage facilities would permit. Furthermore, the supervisory cost inspector was informed that the inventory of green coffee maintained at the Naval Supply Annex, Stockton, Calif., was in the nature of a reserve which, although requiring periodic turn-overs to prevent deterioration, was not, in the aggregate, to be depleted except in a case of emergency.

DEVELOPMENT OF COST DATA

6. The costs developed are composed of (*a*) costs payable from current naval appropriations, and (*b*) constructive costs not normally taken into account in determining costs under a Government operation. The costs payable from current naval appropriations as well as production volume data were obtained from fiscal records maintained at the Naval Supply Center, Oakland, Calif., and from information furnished by cognizant personnel attached thereto.

7. Constructive costs include allowances for depreciation, property taxes, insurance, the Government's contribution to the retirement fund, and the excess of utility costs occasioned by the difference in rates quoted by supplying utility companies for independent plants of a similar size and the rates used by the Naval Supply Center in billing its component activities. Attention is invited to exhibit B, schedule 8, wherein is contained a detailed elaboration of the constructive cost elements.

8. The costs of green coffee, bags, tins, and cartons as shown in exhibit D, were determined by applying the first-in first-out method based on invoices (S & A Form 127) prepared by the General Supply Depot, Naval Supply Center, Oakland, Calif., for issues to the coffee roasting plant. Acquisition costs of the materials, net of cash discounts, were developed by reference to vendors' invoices and the related contracts. All the materials were purchased f. o. b. center and no incoming freight charges were involved. The cost of green coffee was reduced by revenue receivable from the sale of the bags in which the green coffee was received (5 cents per bag). Prior to December 31, 1950, the plant was processing green coffee for the Department of the Army. This green coffee was furnished to the plant without charge and the center's only accountability therefor was on a quantity basis. For the processing and packaging service the center made charges against the Department of the Army to cover estimated processing and packaging costs. Subsequent to December 31, 1950, this practice of furnishing the green coffee was discontinued, and the Department of the Army requisitions roasted coffee from the Department of the Navy, as needed.

9. In view of the multitudinous operations of the Naval Supply Center, Oakland, Calif., it is questionable whether any reduction in general overhead would

inure to the Government should be the Government procure its requirements of roasted coffee from commercial sources. However, and since cost data relative to general overhead costs incurred by commercial coffee processors could not be obtained, as a conservative measure an allowance of 5 percent of total warehousing and processing costs (costs payable from current naval appropriations and constructive costs—see exhibit B) has been included as general overhead expense.

GENERAL COMMENTS

10. The supervisory cost inspector was informed that the blends of Santos and Milds green coffee used in the production of roasted coffee are established by the Bureau of Supplies and Accounts, and that during the period January 1 to April 30, 1951, the prescribed blend was 70 percent Santos and 30 percent Milds. Conformance to this prescribed blend can be noted by reference to exhibit A, schedule 2.

11. For informational purposes there has been included as exhibit F a comparison of the 100-pound unit costs of packaged coffee developed by the supervisory cost inspector with the general supply depot issue prices therefor in effect during the period of the cost study.

IN CONCLUSION

12. It is the opinion of the supervisory cost inspector, that the accompanying exhibits and schedules present fairly the operating costs plus applicable constructive costs of the coffee roasting plant, Naval Supply Center, Oakland, Calif., during the periods indicated thereon.

W. H. HOWLAND, *Commander (SC), USN,*
Supervisory Cost Inspector, Western Area.

EXHIBIT A

Summary of total cost by type of package per 100 pounds of coffee packed ready for shipment for period Jan. 1 to Apr. 30, 1951

Bagged coffee, whole bean in 50-pound bags:	
Cost, exclusive of cost of coffee and container	$0.727570
Cost of bags	.752132
Cost, exclusive of cost of coffee	1.479702
Cost of green coffee	65.156700
Total cost per 100 pounds of coffee packed ready for shipment	66.636402
Bagged coffe, fround, in 50-pound bags:	
Cost, exclusive of cost of coffee and container	.757597
Cost of bags	.752132
Cost, exclusive of cost of coffee	1.509729
Cost of green coffee	65.156700
Total cost per 100 pounds of coffee packed ready for shipment	66.666429
Tinned coffee, ground, 2 20-pound tins to a carton:	
Cost, exclusive of coffee and containers	1.047609
Cost of tins	1.984827
Cost of cartons	.522464
Cost, exclusive of cost of coffee	3.554900
Cost of green coffee	65.156700
Total cost per 100 pounds of coffe packed ready for shipment	68.711600

SCHEDULE 1.—*Total cost by type of package per 100 pounds of coffee packed ready for shipment for period Jan. 1 to Apr. 30, 1951*

	Costs payable from current naval appropriation	Constructive costs	Total costs
Bagged coffee, whole bean in 50-pound bags:			
Pounds of coffee produced (exhibit A, schedule 2)			1,980,868
Total costs, exclusive of cost of coffee and container (exhibit B)	$11,929.98	$2,482.22	$14,412.20
Cost per 100 pounds of coffee, exclusive of cost of coffee and containers (exhibit C)	.602260	.125310	.727570
Cost of bags (exhibit D)	.752132		.752132
Cost, exclusive of cost of coffee	1.354392	.125310	1.479702
Cost of green coffee (exhibit D)	65.156700		65.156700
Total cost per 100 pounds of coffee packed ready for shipment	66.511092	.125310	66.636402
Bagged coffee, ground, in 50-pound bags:			
Pounds of coffee produced (exhibit A, schedule 2)			898,300
Total costs, exclusive of cost of coffee and container (exhibit B)	$5,633.38	$1,172.11	$6,805.49
Cost per 100 pounds of coffee, exclusive of cost of coffee and container (exhibit C)	.627116	.130481	.757597
Cost of bags (exhibit D)	.752132		.752132
Cost, exclusive of cost of coffee	1.379248	.130481	1.509729
Cost of green coffee (exhibit D)	65.156700		65.156700
Total cost per 100 pounds of coffee packed ready for shipment	66.535948	.130481	66.666429
Tinned coffee, ground, 2 20-pound tins to a carton:			
Pounds of coffee produced (exhibit A, schedule 2)			8,041,240
Total costs, exclusive of cost of coffee and containers (exhibit B)	$69,732.06	$14,508.86	$84,240.92
Cost per 100 pounds of coffee, exclusive of cost of coffee and containers (exhibit C)	.867179	.180430	1.047609
Cost of tins (exhibit D)	1.984827		1.984827
Cost of cartons (exhibit D)	.522464		.522464
Cost, exclusive of cost of coffee	3.374470	.180430	3.554900
Cost of green coffee (exhibit D)	65.156700		65.156700
Total cost per 100 pounds of coffee packed ready for shipment	68.531170	.180430	68.711600

SCHEDULE 2.—*Pounds of roasted coffee produced and packaged for period Jan. 1 to Apr. 30, 1951*

	Pounds	Percent of green coffee
Roasted coffee produced:		
Green coffee started in process:		
Santos	9,073,680	70.6
Milds	3,780,700	29.4
Total	12,854,380	100.0
Less: Shrinkage	1,933,972	15.0
Total	10,920,408	85.0
Type of package:		
Bagged, whole bean in 50-pound bags	1,980,868	18.2
Bagged, ground, in 50-pound bags	898,300	8.2
Tinned, ground, in 2 20-pound tins to a carton	8,041,240	73.6
Total	10,920,408	100.0

EXHIBIT B

Costs of warehousing and processing coffee by type of package, exclusive of cost of coffee and containers, for period Jan. 1 to Apr. 30, 1951

	Costs payable from current naval appropriation	Constructive costs	Total costs
Warehousing costs:			
Green coffee (exhibit B, schedule 1)	$6,612.87	$4,201.48	$10,814.35
Empty tins and cartons (exhibit B, schedule 2)	3,406.72	2,455.06	5,861.78
Roasted coffee (exhibit B, schedule 3)	3,418.76	3,396.92	6,815.68
Total	13,438.35	10,053.46	23,491.81
Processing costs:			
Cleaning and roasting (exhibit B, schedule 4)	31,617.85	5,097.23	36,715.08
Grinding (exhibit B, schedule 5)	1,906.50	649.96	2,556.46
Bagging (exhibit B, schedule 6)	5,266.90	355.48	5,622.38
Tinning and cartoning (exhibit B, schedule 7)	30,043.98	2,007.06	32,051.04
Total	68,835.23	8,109.73	76,944.96
Total warehousing and processing costs	82,273.58	18,163.19	100,436.77
General overhead (5 percent of total warehousing and processing costs)	5,021.84		5,021.84
Total costs, exclusive of cost of coffee and containers	87,295.42	18,163.19	105,458.61
Total costs, exclusive of cost of coffee and containers by package type:			
Bagged, whole bean in 50-pound bags	11,929.98	2,482.22	14,412.20
Bagged, ground, in 50-pound bags	5,633.38	1,172.11	6,805.49
Tinned, ground, 2 20-pound tins to a carton	69,732.06	14,508.86	84,240.92
Total	87,295.42	18,163.19	105,458.61

SCHEDULE 1.—*Warehousing costs of green coffee for period Jan. 1 to Apr. 30, 1951*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Labor and supervision		$4,335.78		$4,335.78
Payroll burden:				
Vacations, holidays, and sick leave	1	737.08		737.08
Retirement	2		$281.83	281.83
Compensation insurance	3		62.65	62.65
Depreciation	4			
Building			1,068.00	1,068.00
Machinery and equipment			1,044.00	1,044.00
Property taxes	5			
Building and land			939.80	939.80
Machinery and equipment			68.12	68.12
Insurance	6			
Fire:				
Building, machinery, and equipment			122.44	122.44
Inventory			592.70	592.70
Other			1.70	1.70
Repairs and maintenance	7			
Building		1,200.00		1,200.00
Utilities	8			
Heat and light		62.61	20.24	82.85
Cost of borrowed materials handling equipment	9	277.40		277.40
Total		6,612.87	4,201.48	10,814.35

NOTE.—See exhibit B, schedule 8, for explanatory footnotes.

SCHEDULE 2.—*Warehousing costs of empty tins and cartons for period Jan. 1 to Apr. 30, 1951*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Labor and supervision		$1,891.30		$1,891.30
Payroll burden:				
Vacations, holidays, and sick leave	1	321.52		321.52
Retirement	2		$122.93	122.93
Compensation insurance	3		27.33	27.33
Depreciation	4			
Building			842.20	842.20
Machinery and equipment			290.00	290.00
Property taxes	5			
Building and land			1,074.92	1,074.92
Machinery and equipment			18.92	18.92
Insurance	6			
Fire:				
Building, machinery, and equipment			64.04	64.04
Inventory			3.86	3.86
Other			.74	.74
Repairs and maintenance	7			
Building		1,010.60		1,010.60
Utilities	8			
Heat and light		31.30	10.12	41.42
Cost of borrowed materials handling equipment	9	152.00		152.00
Total		3,406.72	2,455.06	5,861.78

NOTE.—See exhibit B, schedule 8, for explanatory footnotes.

SCHEDULE 3.—*Warehousing costs of packaged roasted coffee for period Jan. 1 to Apr. 30, 1951*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Labor:				
Straight-time cost		$1,470.74		$1,470.74
Overtime premium		243.11		243.11
Supervision:				
Straight-time cost		187.33		187.33
Overtime premium		31.11		31.11
Payroll burden:				
Vacations, holidays, and sick leave	1	188.63		188.63
Retirement	2		$72.13	72.13
Compensation insurance	3		23.96	23.96
Depreciation	4			
Building			889.36	889.36
Machinery and equipment			911.54	911.54
Property taxes	5			
Building and land			1,135.16	1,135.16
Machinery and equipment			96.32	96.32
Insurance	6			
Fire:				
Building, machinery, and equipment			74.92	74.92
Inventory			172.65	172.65
Other			.65	.65
Repairs and maintenance	7			
Building		1,067.24		1,067.24
Machinery and equipment		168.00		168.00
Utilities	8			
Heat and light		62.60	20.23	82.83
Total		3,418.76	3,396.92	6,815.68

NOTE.—See exhibit B, schedule 8, for explanatory footnotes.

NOTE.—The above warehousing costs relate entirely to the temporary storage of packaged coffee pending shipment to requisitioning activities.

SCHEDULE 4.—*Cleaning and roasting costs of coffee for period Jan. 1 to Apr. 30, 1951*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Labor:				
Straight-time cost		$18,393.08		$18,393.08
Overtime premium		3,042.24		3,042.24
Supervision:				
Straight-time cost		2,344.27		2,344.27
Overtime premium		389.20		389.20
Payroll burden:				
Vacations, holidays, and sick leave	1	2,358.67		2,358.67
Retirement	2		$910.84	901.84
Compensation insurance	3		299.66	299.66
Depreciation	4			
Building			510.64	510.64
Machinery and equipment			1,881.95	1,881.95
Property taxes	5			
Building and land			651.76	651.76
Machinery and equipment			377.52	377.52
Insurance	6			
Fire, building, machinery, and equipment			73.64	73.64
Other			8.15	8.15
Repairs and maintenance	7			
Building		612.76		612.76
Machinery and equipment		1,695.30		1,695.30
Utilities	8			
Power		645.28	212.48	857.76
Roasting gas		1,707.83	(34.14)	1,673.69
Water		147.50	122.63	270.13
Heat and light		281.72	91.10	372.82
Total		31,617.85	5,097.23	36,715.08

NOTE.—See exhibit B, schedule 8, for explanatory footnotes.

SCHEDULE 5.—*Grinding costs of coffee for period Jan. 1 to Apr. 30, 1951*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Labor:				
Straight-time cost		$154.72		$154.72
Overtime premium		25.37		25.37
Supervision:				
Straight-time cost		19.70		19.70
Overtime premium		3.27		3.27
Payroll burden:				
Vacations, holidays, and sick leave	1	19.91		19.91
Retirement	2		$7.61	7.61
Compensation insurance	3		2.52	2.52
Depreciation	4			
Building			43.56	43.56
Machinery and equipment			420.39	420.39
Property taxes	5			
Building and land			55.60	55.60
Machinery and equipment			67.56	67.56
Insurance	6			
Fire—Building, machinery, and equipment			9.64	9.64
Other			.07	.07
Repairs and maintenance	7			
Building		52.28		52.28
Machinery and equipment		1,500.22		1,500.22
Utilities	8			
Power		107.55	35.42	142.97
Heat and light		23.48	7.59	31.07
Total		1,906.50	649.96	2,556.46

NOTE.—See exhibit B, schedule 8, for explanatory footnotes.

SCHEDULE 6.—*Bagging costs of coffee, exclusive of bag cost, for period Jan. 1 to Apr. 30, 1951*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Supplies: Thread		$175.80		$175.80
Labor:				
Straight-time cost		3,114.88		3,114.88
Overtime premium		503.98		503.98
Supervision:				
Straight-time cost		401.79		401.79
Overtime premium		65.31		65.31
Payroll burden:				
Vacations, holidays, and sick leave	1	404.28		404.28
Retirement	2		$154.58	154.58
Compensation insurance	3		50.81	50.81
Depreciation	4			
Building			12.08	12.08
Machinery and equipment			76.16	76.16
Property taxes	5			
Building and land			15.44	15.44
Machinery and equipment			17.20	17.20
Insurance	6			
Fire—Building, machinery, and equipment			2.52	2.52
Other			1.38	1.38
Repairs and maintenance	7			
Building		14.52		14.52
Machinery and equipment		509.10		509.10
Utilities	8			
Power		53.77	17.72	71.49
Heat and light		23.47	7.59	31.06
Total		5,266.90	355.48	5,622.38

NOTE.—See exhibit B, schedule 8, for explanatory footnotes.

SCHEDULE 7.—*Tinning and cartoning costs of coffee exclusive of container costs for period Jan. 1, 1951, to Apr. 30, 1951*

	Footnotes	Costs payable from current naval appropriation	Constructive costs	Total
Supplies: Glue		$380.16		$380.16
Labor:				
Straight-time cost		19,786.31		19,786.31
Overtime premium		3,257.62		3,257.62
Supervision:				
Straight-time cost		2,510.11		2,510.11
Overtime premium		421.51		421.51
Payroll burden:				
Vacations, holidays and sick leave	1	2,539.49		2,539.49
Retirement	2		$970.98	970.98
Compensation insurance	3		322.18	322.18
Depreciation	4			
Building			122.20	122.20
Machinery and equipment			240.93	240.93
Property taxes	5			
Building and land			156.00	156.00
Machinery and equipment			39.12	39.12
Insurance	6			
Fire—Building, machinery, and equipment			12.76	12.76
Other			8.76	8.76
Equipment rental		83.32		83.32
Repairs and maintenance	7			
Building		146.64		146.64
Machinery and equipment		509.10		509.10
Utilities	8			
Power		268.86	88.56	357.42
Heat and light		140.86	45.57	186.43
Total		30,043.98	2,007.06	32,051.04

NOTE.—See exhibit B, schedule 8, for explanatory footnotes.

SCHEDULE 8.—*Costs of warehousing and processing coffee for period Jan. 1, 1951, to Apr. 30, 1951*

FOOTNOTES

1. Allowance for vacations, holidays and sick leave is at the rate of 17 percent of basic straight-time compensation, which excludes overtime pay (straight-time and premium). This rate, prescribed in the Bureau of Supplies and Accounts Manual, vol. VI, paragraph 66357-2, for application to work performed for other military departments, is considered appropriate for use in this study.

2. Allowance for Government contribution to the retirement fund is at the reported Civil Service Commission present actuarial experience rate of 6.5 percent of basic straight-time compensation, which excludes overtime pay (straight-time and premium).

3. The cost of compensation insurance is based on the net rate of $1.445 per $100 of straight-time labor. This net rate, after consideration of premium refunds based on probable experience, was quoted by a major insurance carrier.

4. The depreciation rates were taken from the Bureau of Internal Revenue Bulletin "F" published in 1942, and the Accountant's Handbook, second edition, Provision for depreciation of buildings was based on the following normal rates:

	Percent
Reinforced concrete building housing processing facilities and packaged roasted coffee and tin and carton warehousing	2.50
Green coffee warehouse, frame	2.67

Provision for depreciation of machinery and equipment was based upon the normal rates set forth in the above references for the individual items of machinery and equipment, and averaged as follows:

	Percent
Warehousing:	
Green coffee	20.00
Empty tins and cartons	20.00
Packaged roasted coffee	13.66
Processing:	
Cleaning and roasting	6.84
Grinding	8.12
Bagging	8.38
Tinning and Cartoning	8.02

Because the plant operated on a two-shift basis during the period covered by this study, an allowance for accelerated depreciation of the affected machinery and equipment items was made at the suggested accelerated rates contained in the Accountant's Handbook, page 658, according to the hours of plant operation.

5. The assessor's office, county of Alameda, Calif., furnished the following information relative to determination of assessed valuations:

Land	cents per sq. ft.	20
Three-story reinforced concrete building	do	16
Green coffee warehouse	do	70
Machinery and equipment	percent of cost	25

The county of Alameda and city of Oakland, Calif., combined tax rate of $7.57 per $100 of assessed value was used to determine the annual property taxes that are included in the constructive costs.

6. Fire insurance rates were secured from a major insurance carrier in cooperation with a local fire insurance rating bureau. Actual inspection of the physical plant was not made by them but the following rates were recommended on the basis of information submitted by the supervisory cost inspector, and are based on a 90-percent-average clause, less 16.67 percent for 3-year policies:

	Per $1.00 insured value
Reinforced concrete building:	
Building	$0.148
Contents	.216
Green coffee warehouse:	
Building and contents	.231

The constructive cost for fire insurance on the buildings was based on insurable values of 150 percent of 1942–43 initial costs, which, according to the carrier contacted, is a conservative valuation to compensate for present increased replacement costs. The insurable value of machinery and equipment was as-

sumed to be 1943 initial costs on the theory that accumulated depreciation has offset the difference from original costs to present replacement costs. Cost was the insurable value used in determining the cost of fire insurance on inventories. Annual rates quoted and used in this study for comprehensive public liability and property damage insurance were:

	Coverage	Rate per $100 of straight-time payroll
Bodily injury	$100,000/$300,000	$0.03175
Property damage	$50,000/$50,000	.00755
Combined annual rate		.03930

7. Annual maintenance and repair costs of buildings were estimated at 3 percent of their costs by the Assistant to Public Works Officer, Naval Supply Center, Oakland, Calif. Repair and maintenance cost of machinery and equipment is composed of:

(*a*) Labor and payroll burden (see footnotes 1, 2, and 3 above) determined from detailed examination of Center payroll records, and

(*b*) Estimated cost of materials, spare parts, and supplies.

8. The usage of utilities was determined from meter readings applicable to the coffee-roasting plant, with the exception of water usage which was estimated as meter readings were not available. Naval Supply Center billing rates were used to determine costs payable from current naval appropriations, and the differences between Center rates and rates quoted by the supplying utility companies for independent plants of similar size were used in determining constructive costs of utilities.

9. The cost of borrowed materials handling equipment is based on an 8-hour per diem cost of $3.80, computed by the materials handling equipment shop, Naval Supply Center, Oakland, Calif. This daily cost includes maintenance and depreciation of the materials handling equipment borrowed by the coffee-roasting plant for use in warehousing operations. Costs of materials handling equipment permanently assigned to the coffee-roasting plant are included in the appropriate cost classifications for the various operations.

EXHIBIT C

Cost per 100 pounds of roasted coffee of warehousing and processing, exclusive of coffee and container costs, for period Jan. 1, 1951, to Apr. 30, 1951

	Bagged coffee, whole bean, in 50-pound bags	Bagged coffee, ground, in 50-pound bags	Tinned coffee, ground, 2 20-pound tins to a carton
Warehousing costs:			
Green coffee (exhibit C, schedule 1)	$0.103980	$0.103980	$0.103980
Empty tins and cartons (exhibit C, schedule 2)			.076541
Packaged roasted coffee (exhibit C, schedule 3)	.065533	.065533	.065533
Total	.169513	.169513	.246054
Processing costs:			
Cleaning and roasting (exhibit C, schedule 4)	.353016	.353016	.353016
Grinding (exhibit C, schedule 5)		.030027	.030027
Bagging (exhibit C, schedule 6)	.205041	.205041	
Tinning and cartoning (exhibit C, schedule 7)			.418512
Total	.558057	.588084	.801555
Grand total	.727570	.757597	1.047609

SCHEDULE 1.—*Green coffee warehousing costs per 100 pounds of roasted coffee for period Jan. 1 to Apr. 30, 1951*

Labor and supervision	$0.039703
Payroll burden:	
Vacations, holidays and sick leave	.006749
Retirement	.002581
Compensation insurance	.000574
Depreciation:	
Building	.009780
Machinery and equipment	.009560
Property taxes:	
Building and land	.008606
Machinery and equipment	.000624
Insurance:	
Fire—Building, machinery and equipment	.001121
Fire—Inventory	.005427
Other	.000017
Repairs and maintenance:	
Building	.010988
Machinery and equipment	0
Utilities: Heat and light	.000759
Cost of borrowed materials handling equipment	.002540
Total operating costs	.099029
General overhead, at 5 percent of total operating cost	.004951
Total	.103980

SCHEDULE 2.—*Warehousing costs of empty tins and cartons per 100 pounds of roasted coffee for period Jan. 1 to Apr. 30, 1951*

Labor and supervision	$0.023520
Payroll burden:	
Vacations, holidays, and sick leave	.003998
Retirement	.001529
Compensation insurance	.000340
Depreciation:	
Building	.010474
Machinery and equipment	.003606
Property taxes:	
Building and land	.013368
Machinery and equipment	.000235
Insurance:	
Fire—Building, machinery, and equipment	.000796
Fire—Inventory	.000048
Other	.000009
Repairs and maintenance: Building	.012568
Utilities: Heat and light	.000515
Cost of borrowed materials—handling equipment	.001890
Total operating costs	.072896
General overhead, at 5 percent of total operating costs	.003645
Total	.076541

SCHEDULE 3. —*Warehousing costs per 100 pounds of packaged roasted coffee for period Jan. 1 to Apr. 30, 1951*

Labor:	
Straight-time cost	$0.013469
Overtime premium	.002226
Supervision:	
Straight-time cost	.001715
Overtime premium	.000285
Payroll burden:	
Vacations, holidays, and sick leave	.001727
Retirement	.000661
Compensation insurance	.000219
Depreciation:	
Building	.008144
Machinery and equipment	.008347
Property taxes:	
Building and land	.010395
Machinery and equipment	.000882
Insurance:	
Fire—Building, machinery and equipment	.000686
Fire—Inventory	.001581
Other	.000006
Repairs and maintenance:	
Building	.009773
Machinery and equipment	.001538
Utilities: Heat and light	.000758
Total operating costs	.062412
General overhead, at 5 percent of total operating costs	.003121
Total	.065533

SCHEDULE 4.—*Cleaning and roasting costs per 100 pounds of roasted coffee for period Jan. 1 to Apr. 30, 1951*

Labor:	
Straight-time cost	$0.168428
Overtime premium	.027858
Supervision:	
Straight-time cost	.021467
Overtime premium	.003564
Payroll burden:	
Vacations, holidays, and sick leave	.021599
Retirement	.008258
Compensation insurance	.002744
Depreciation:	
Building	.004676
Machinery and equipment	.017233
Property taxes:	
Building and land	.005968
Machinery and equipment	.003457
Insurance:	
Fire—Building, machinery, and equipment	.000674
Other	.000075
Repairs and maintenance:	
Building	.005612
Machinery and equipment	.015524
Utilities:	
Power	.007855
Roasting gas	.015326
Water	.002474
Heat and light	.003414
Total operating costs	.336206
General overhead, at 5 percent of total operating costs	.016810
Total	.353016

SCHEDULE 5.—*Grinding costs per 100 pounds of roasted coffee for period Jan. 1 to Apr. 30, 1951*

Labor:	
Straight-time cost	$0.001730
Overtime premium	.000284
Supervision:	
Straight-time cost	.000220
Overtime premium	.000036
Payroll burden:	
Vacations, holidays, and sick leave	.000223
Retirement	.000085
Compensation insurance	.000028
Depreciation:	
Building	.000487
Machinery and equipment	.004703
Property taxes:	
Building and land	.000622
Machinery and equipment	.000756
Insurance:	
Fire—building, machinery, and equipment	.000108
Other	.000001
Repairs and maintenance:	
Building	.000585
Machinery and equipment	.016782
Utilities:	
Power	.001599
Heat and light	.000348
Total operating costs	.028597
General overhead, at 5 percent of total operating costs	.001430
Total	.030027

SCHEDULE 6.—*Bagging costs per 100 pounds of roasted coffee, exclusive of bag cost, for period Jan. 1 to Apr. 30, 1951*

Supplies: Thread	$0.006106
Labor:	
Straight-time cost	.108187
Overtime premium	.017504
Supervision:	
Straight-time cost	.013955
Overtime premium	.002268
Payroll burden:	
Vacations, holidays, and sick leave	.014042
Retirement	.005369
Compensation insurance	.001765
Depreciation:	
Building	.000420
Machinery and equipment	.002645
Property taxes:	
Building and land	.000536
Machinery and equipment	.000597
Insurance:	
Fire—building, machinery, and equipment	.000088
Other	.000048
Repairs and maintenance:	
Building	.000504
Machinery and equipment	.017682
Utilities:	
Power	.002483
Heat and light	.001078
Total operating costs	.195277
General overhead, at 5 percent of total operating costs	.009764
Total	.205041

SCHEDULE 7.—*Tinning and cartoning costs per 100 pounds of roasted coffee, exclusive of container costs, for period Jan. 1, 1951, to Apr. 30, 1951*

Supplies:	
Glue	$0.004728
Labor:	
Straight-time cost	.246060
Overtime premium	.040511
Supervision:	
Straight-time cost	.031215
Overtime premium	.005242
Payroll burden:	
Vacations, holidays, and sick leave	.031581
Retirement	.012075
Compensation insurance	.004007
Depreciation:	
Building	.001520
Machinery and equipment	.002996
Property taxes:	
Building and land	.001940
Machinery and equipment	.000486
Insurance:	
Fire—building, machinery, and equipment	.000159
Other	.000109
Equipment rental	.001036
Repairs and maintenance:	
Building	.001824
Machinery and equipment	.006331
Utilities:	
Power	.004445
Heat and light	.002318
Total operating costs	.398583
General overhead at 5 percent of total operating costs	.019929
Total	.418512

EXHIBIT D

Cost of bag, carton, and tin containers, and green coffee, exclusive of warehousing costs, for period Jan. 1, 1951, to Apr. 30, 1951

	Costs payable from current naval appropriations
Total costs:	
Containers:	
Bags	$21,655.13
Tins	159,604.74
Cartons	42,028.68
Green coffee after bag recovery	7,115,377.58
Total	7,338,666.13
Cost of 100 pounds of roasted coffee:	
Containers:	
Bags	$0.752132
Tins	1.984827
Cartons	.522464
Green coffee after bag recovery	65.156700

COFFEE ROASTING PLANT
NAVAL SUPPLY CENTER - OAKLAND, CALIFORNIA

A Graphic Presentation of the Coffee Roasting Process, Showing Cost Centers

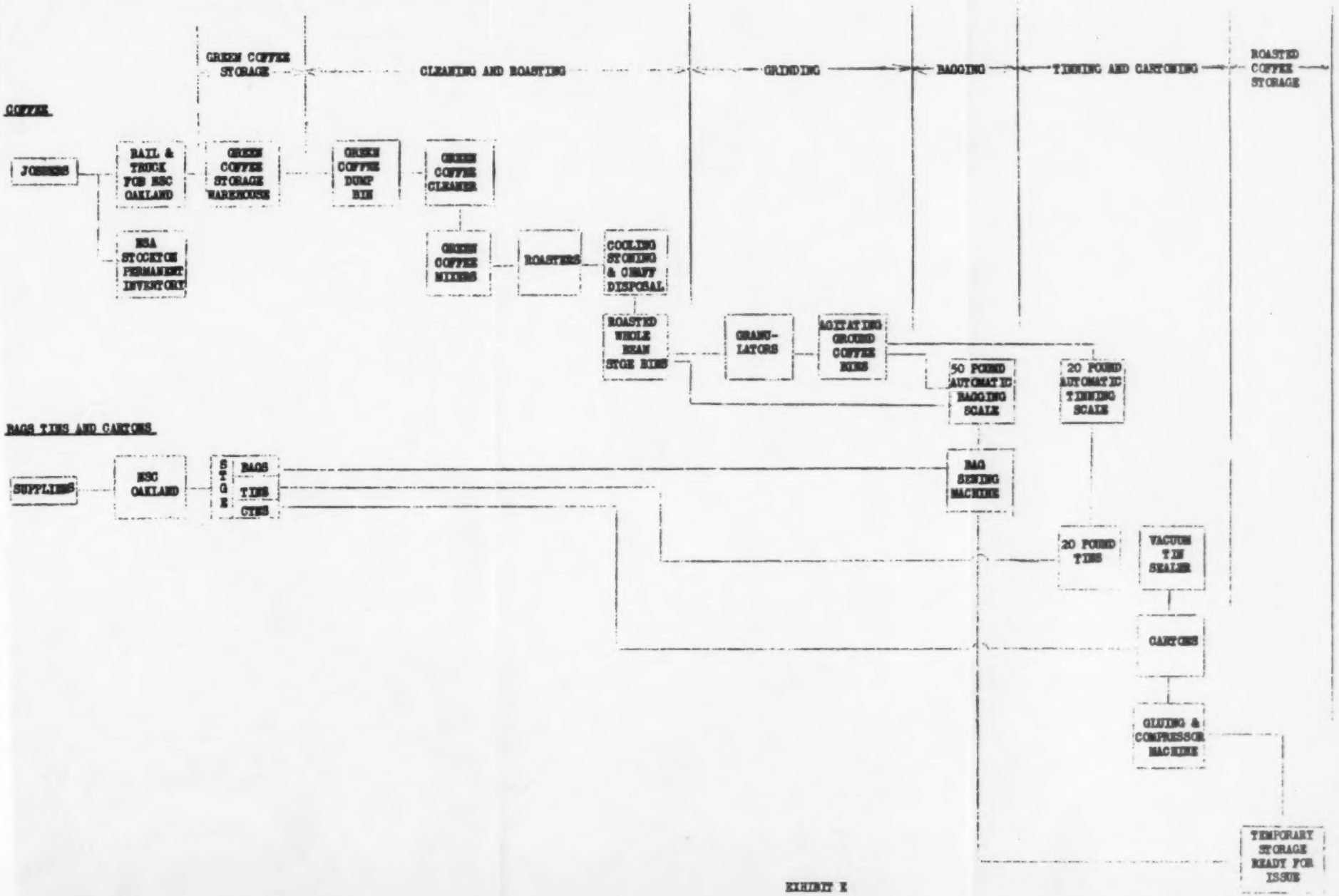


EXHIBIT X

EXHIBIT F

Comparative statement of packaged coffee costs and issue prices

	Costs per 100 pounds as determined by supervisory cost inspector for period Jan. 1, 1951, to Apr. 30, 1951			Naval supply center, Oakland, Calif.—issue price per 100 pounds	
	Costs payable from current naval appropriation	Constructive costs	Total	Period	Price
Bagged coffee—whole bean	$66.511092	$0.125310	$66.636402	Jan. 1 to Jan. 30, 1951	$64.60
				Jan. 31 to Mar. 15, 1951	65.60
				Mar. 16 to Apr. 4, 1951	67.10
				Apr. 5 to Apr. 30, 1951	69.50
Bagged coffee—ground	66.535948	.130481	66.666429	Jan. 1 to Jan. 30, 1951	64.60
				Jan. 31 to Mar. 15, 1951	65.60
				Mar. 16 to Apr. 4, 1951	67.10
				Apr. 5 to Apr. 30, 1951	69.50
Tinned coffee—ground	68.531170	.180430	68.711600	Jan. 1 to Jan. 30, 1951	66.60
				Jan. 31 to Mar. 15, 1951	67.60
				Mar. 16 to Apr. 4, 1951	69.10
				Apr. 5 to Apr. 30, 1951	71.50

APPENDIX 3

MUNITIONS BOARD,
Washington 25, D. C., August 25, 1952.

Mr. EDWARD ABORN,
President, National Coffee Association,
New York 5, N. Y.

DEAR MR. ABORN: I wish to again thank you and Mr. O'Connor for your valued cooperation and assistance concerning the subject of the military coffee roasting operations.

As I pointed out in our recent discussion, the Secretary of Defense is greatly concerned about certain commercial-type operations in the military departments. As in all similar supply problems in the military departments, the decisions to continue or disestablish these operations must be predicated primarily on the criteria of military effectiveness and on over-all economy to the Government. Effectiveness in this instance means uninterrupted supply support on a world-wide basis and quantity and quality control from acquisition to final use.

In this connection I would appreciate your advising me of the position of the National Coffee Association on the following:

1. Is the military departments' policy of buying green coffee and processing it in military-owned plants sound? Is there a better method?

2. Are the military departments buying green coffee in a manner which minimizes the impact on the market and at the same time results in the lowest price to the Government?

3. Does our present method of green coffee inspection assure receipt by the military departments of the grades and types specified in the contracts? Is there a better method?

4. Can freshness of processed coffee not roasted at points of consumption be assured at all times under any method of packaging other than vacuum pack?

5. In the event of all-out mobilization, what are your recommendations with regard to military coffee processing requirements in excess of the present total military plant capacity?

Please feel entirely free to comment on any other matters pertaining to this subject which you consider pertinent.

Sincerely yours,

M. L. RING,
Rear Admiral, S. C., U. S. N.,
Vice Chairman for Supply Management.

APPENDIX 4

NATIONAL COFFEE ASSOCIATION OF U. S. A.,
New York 5, N. Y., August 28, 1952.

Rear Adm. MORTON L. RING, SC, USN,
Vice Chairman for Supply Management, Munitions Board,
Washington 25, D. C.

DEAR ADMIRAL RING: Thank you for your very kind letter of August 5.

As I explained to you at the time of our visit, this association has a very great interest in the quality of brewed coffee served to the men and women of the Armed Forces.

In answering the five questions in your letter we, therefore, have considered the interests of this industry as well as military effectiveness and over-all economy to the Government.

1. In the opinion of this association the military department's present policy of buying green coffee and processing it in military owned plants is sound and we are unable to recommend a better method.

2. The record of the past 10 years indicates that with but few exceptions the military departments buying of green coffee has been carried on with a minimum impact on the green coffee market. Also that the prices paid by the military indicate the present procedure results in the lowest possible cost to the Government.

3. The present method of green coffee inspection assures the receipt, by the military, of only coffees that conform in all respects to the purchase specifications. We do not believe it is possible to devise a more efficient method of insuring the military receiving, at all times, the quality of coffee it buys.

4. With the possible exception of roasting and grinding at the actual point of consumption, vacuum packing is the only method known to us which will insure a fresh supply of coffee at all points of consumption at all times.

5. In the event the military should require processing operations beyond the present capacity of the military roasting plants in Brooklyn, Atlanta, Oakland, and Seattle, we recommend such services be procured from the industry. In this connection I have appointed a committee to study this problem and a definite plan will be submitted to you at the earliest possible date.

It is our understanding that the military contemplates confining roasting operations to the four plants above mentioned and that all coffee will be packed in 20-pound vacuum containers. We heartily endorse this proposed procedure.

The recommendations we have made apply only to coffee for actual consumption by the Armed Forces.

All coffee sold in dry form in commissary stores should be purchased from the industry already roasted and in the customary types of pack used for consumption in the home. Armed Forces roasted coffee should be dispensed only as a beverage and not sold in dry form in competition with private industry.

Furthermore with the four military plants packaging only in 20-pound vacuum tins, the Armed Forces would hardly be in a position to properly package and distribute roasted and ground coffee for home consumption.

We strongly urge the discontinuance of the sale at retail of Armed Forces coffee in direct competition with private industry which practice is strongly condemned by this association.

If we can be of further service to you, please call on us.

Sincerely yours,

EDWARD ABORN, *President.*

OAKLAND EXHIBIT 4

DEPARTMENT OF THE NAVY,
BUREAU OF SUPPLIES AND ACCOUNTS,
Washington, D. C., October 7, 1952.

Mr. RAYMOND WARD,
Staff Director, Bonner Subcommittee,
New House Office Building,
Washington, D. C.

DEAR RAY: I am attaching a copy of a memorandum from the Chief of the Bureau of Supplies and Accounts to the commanding officer, Naval Supply Depot, Seattle, Wash., dated September 18, 1952, regarding cross-servicing agreements for supply of roasted coffee to NSD, Seattle, Wash.

This information is furnished to you since it was the committee's recommendation that such action be taken during their recent visit to Oakland, Calif. I

thought you would like to know what efforts have been put forth as a result of the committee's recommendation.

Kindest personal regards. EARLE D. CHESNEY.

Attachment.

SEPTEMBER 18, 1952.

From: Chief, Bureau of Supplies and Accounts.
To: Commanding Officer, Naval Supply Depot, Seattle, Wash.
Subject: Cross-servicing agreement for supply of roasted coffee to NSD Seattle, implementation of.

1. A cross-servicing agreement has been effected with the Department of the Army for the purpose of obtaining roasted coffee requirements of the Naval Supply Depot, Seattle, from the Army coffee roasting plant at Seattle. Under the terms of this agreement the Department of the Army will immediately assume supply support responsibility to meet the logistic requirements of roasted coffee for NSD Seattle in accordance with the following stipulations:

(*a*) Supply of all roasted coffee requirements of NSD Seattle, including roasted ground, roasted whole bean and roasted ground vacuum packed. (Excludes commercial brands for resale purposes.)

(*b*) NSD Seattle will submit requisitions to the Army Market Center at Seattle in accordance with the present established market center procedures in effect for supplying roasted coffee to Army installations.

(*c*) Deliveries of roasted bagged coffee will be made at least once weekly and more frequently if conditions permit.

(*d*) Roasted coffee shipping containers shall be date marked with the date that the coffee is actually roasted and packed.

(*e*) Roasted coffee furnished under the cross-servicing agreement, will be roasted using a blend of 70 percent Santos and 30 percent Columbian green bean coffee.

(*f*) Invoicing cost will include costs of material, labor, and services required for roasting, packing, and packaging. Additional charges for handling and transportation to point of delivery will be included if delivery is made by the Army.

(*g*) Reimbursement to the Army will be effected on a monthly basis. The market center will forward Standard Form 1080 to NSD Seattle, for proper certification of roasted coffee quantities actually delivered. NSD Seattle will provide the additional accounting instructions as necessary and forward Standard Form 1080 to the Navy Regional Accounts Office, Seattle, for payment.

(*h*) Roasted coffee, furnished by the Army, shall be subject to inspection for quality, count, and condition at time of delivery as may be deemed necessary and appropriate.

(*i*) NSD Seattle shall furnish information concerning estimated requirements as may be required by the market center or the Army coffee roasting plant to assist in the proper planning for procurement of green bean coffee, coffee plant production schedules, etc.

2. It is the desire of the Bureau of Supplies and Accounts that NSD Seattle communicate with the Army Market Center at Seattle for the purposes of coordinating the cross-servicing agreement to a successful consummation. Copies of all correspondence emanating on this agreement shall be forwarded to BuSandA, Subsistence Division.

3. It is suggested that outstanding requisitions on Naval Supply Center, Oakland, be perused to ascertain if concellation can be effected.

G. G. HUGHES
(By direction).

OAKLAND EXHIBIT 5

DEPARTMENT OF THE NAVY,
BUREAU OF SUPPLIES AND ACCOUNTS,
OFFICE OF THE SUPERVISORY COST INSPECTOR, WESTERN AREA,
San Francisco 5, Calif., August 20, 1952.

Restricted Security Information
From: Supervisory Cost Inspector, Western Area.
To: Commanding Officer, Naval Supply Center, Oakland, Calif.
Subject: Coffee roasting plant, Naval Supply Center, Oakland, Calif.; report on cost study of operations for the period March 27–June 26, 1952, inclusive.
Reference: (*a*) Informal request of OinC, GSD NSC Oakland to SCIWA for report on cost of current operations of subject plant
Enclosure: (1) Original and two copies of subject report

1. In accordance with reference (a), enclosure (1) is forwarded for the information and files of the commanding officer.

2. One copy of enclosure (1) will be forwarded to the Chief, Bureau of Supplies and Accounts (Cost Inspection Service) and, pending instructions from the Commanding Officer, no further distribution of enclosure (1) will be made by this office.

G. A. TAYLOR.

COFFEE ROASTING PLANT, NAVAL SUPPLY CENTER—OAKLAND, CALIFORNIA—REPORT ON COST STUDY OF OPERATIONS FOR THE PERIOD MARCH 27, 1952–JUNE 26, 1952, INCLUSIVE

The report on the cost study of operations for the period March 27, 1952, to June 26, 1952, inclusive, for the coffee roasting plant, Naval Supply Center, Oakland, Calif., was made in order to compare the cost of processing coffee by the Navy and commercial roasters. As a result of the study it was finally determined that the Navy costs are lower than those of commercial roasters.

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Comments.	
Comparative summary of total cost, by type of package, per 100 pounds of coffee, packed ready for shipment	Exhibit A.
Summary of total cost, by type of package, of coffee packed ready for shipment	Exhibit B.
Cost of bag, carton and tin containers, and green coffee, exclusive of warehousing costs	Exhibit C.
Summary of operating costs, by type of package	Exhibit D and Schedules 1–12.
Pounds of roasted coffee processed and packaged	Exhibit E.

COMMENTS

PURPOSE AND SCOPE OF STUDY

1. In accordance with the request of the commanding officer, Naval Supply Center, Oakland, Calif., the supervisory cost inspector, western area, has conducted a cost study of the operations of the center's coffee roasting plant for the purpose of determining the cost of producing each of the standard units of issue of roasted coffee, packaged ready for shipment from the plant.

2. The cost study covered the period March 27, 1952 to June 26, 1952, inclusive, and the costs developed by the supervisory cost inspector are summarized in exhibit A and detailed in the accompanying exhibits and schedules.

COST CENTERS

3. Roasted coffee is packaged in four standard units of issue:

(*a*) Bagged, whole bean, in 50-pound bags
(*b*) Bagged, ground, in 50-pound bags
(*c*) Tinned, ground, in 2 20-pound tins to a carton—Navy
(*d*) Tinned, ground, in 2 20-pound tins to a carton—Army

The pounds processed of each unit of issue during the period covered by this study are set forth in exhibit E.

4. To determine costs for the standard units of issue, costs were accumulated within the following cost centers:

(*a*) Warehousing:
1. Green coffee (see par. 5)
2. Empty tins and cartons
3. Empty bags
4. Packaged roasted coffee (temporary storage)

b. Processing:
1. Cleaning and roasting
2. Grinding
3. Bagging
4. Tinning and cartoning
5. Container strapping (Army cartons only)

5. No consideration has been given in this report to any warehousing and transportation costs which are incurred or applicable to green coffee reserve storage facilities at the Naval Supply Annex, Stockton, Calif. The reason for this omission is that the storage facilities at the coffee roasting plant are adequate to warehouse a 60-day supply of green coffee (based on volume processed during the fiscal year ended June 30, 1952), and in the case of an independent commercial concern receipts of green coffee, in all probability, would be scheduled accordingly.

DEVELOPMENT OF COST DATA

6. The costs developed are composed of (*a*) costs payable from current naval appropriations, and (*b*) constructive costs not normally taken into account in determining costs of a Government operation. The costs payable from current naval appropriations as well as production volume data were obtained from fiscal records maintained at the Center, which records were examined to the extent deemed appropriate.

7. Acquisition costs of green coffee, bags, tins, and cartons, as set forth in exhibit C, were developed by reference to related contracts and to vendor's invoices covering current receipts. Costs set forth are net of cash discounts and no incoming freight charges were involved. Although the empty green coffee bags are being sold to another Government agency at 5 cents per bag, the supervisory cost inspector has used a recovery value of 13 cents per bag. This price was quoted by a local bag wholesaler as being the current market price for "dump run" green coffee bags, and was deemed to be more appropriate for use in this cost study.

8. Constructive costs include allowances for depreciation, property taxes, insurance, the Government's contribution to the retirement fund, the excess of utility costs occasioned by the difference in rates quoted by supplying utility companies for independent plants of a similar size and the rates used by the naval supply center in building its component activities, and to allow comparison of the operation of the plant with that of a plant operated by a corporate entity, there has been included a provision for the State of California franchise tax. Attention is invited to exhibit D, schedule 12, wherein is contained an elaboration of these constructive cost elements.

9. As set forth in footnote 11, exhibit D, schedule 12, an allowance of 5 percent of total operating costs (costs payable from current naval appropriations and constructive costs, but excluding direct material costs) has been included, as a conservative measure, as general and administrative expenses. Elimination of this cost factor would result in a decrease in cost per 100 pounds of roasted coffee of approprimately $0.0584.

IN CONCLUSION

10. It is the opinion of the supervisory cost inspector that the accompanying exhibits and schedules present fairly the operating costs plus applicable constructive costs of the coffe roasting plant, Naval Supply Center, Oakland, Calif., during the period March 27, 1952, to June 26, 1952, inclusive.

G. A. TAYLOR,
Commander (SC) USN,
Supervisory Cost Inspector, Western Area.

EXHIBIT A

Comparative summary of total cost, by type of package, per 100 pounds of coffee, packed ready for shipment, for period Mar. 27 to June 26, 1952, inclusive

	Bagged coffee (50-pound bags)		Tinned coffee (ground) (2 20-pound tins to a carton)	
	Whole bean	Ground	Navy	Army
Operating costs, exclusive of cost of coffee, containers, and provision for State franchise tax	$0.7939	$0.8334	$1.0671	$1.2025
Container costs:				
Bags	.8441	.8441		
Tins			1.9297	1.9297
Cartons			.4198	1.0943
Costs, exclusive of cost of coffee and provision for State franchise tax	1.6380	1.6775	3.4166	4.2265
Cost of green coffee	63.9516	63.9516	63.9516	63.9516
Costs, exclusive of provision for State franchise tax	65.5896	65.6291	67.3682	68.1781
Provision for State of California franchise tax	.1607	.1608	.1650	.1670
Total cost per 100 pounds of coffee	65.7503	65.7899	67.5332	68.3451

EXHIBIT B

Summary of total cost, by type of package, of coffee packed ready for shipment, for period Mar. 27 to June 26, 1952, inclusive

	Pounds processed	Total costs			Cost per 100 pounds of coffee		
		Costs payable from current naval appropriation	Constructive costs	Total	Costs payable from current naval appropriation	Constructive costs	Total
Bagged coffee:							
Whole bean (in 50-pound bags)	1,421,917						
Operating costs, exclusive of cost of coffee, containers, and provision for State franchise tax (exhibit D)		$8,209.73	$3,079.48	$11,289.21	$0.5774	$0.2165	$0.7939
Container cost (bags) (exhibit C)		12,001.70		12,001.70	.8441		.8441
Costs, exclusive of cost of coffee and provision for State franchise tax		20,211.43	3,079.48	23,290.91	1.4215	.2165	1.6380
Cost of green coffee (exhibit C)		909,339.16		909,339.16	63.9516		63.9516
Costs, exclusive of provision for State franchise tax		929,550.59	3,079.48	932,630.07	65.3731	.2165	65.5896
Provision for State of California franchise tax (exhibit D)			2,284.27	2,284.27		.1607	.1607
Total cost		929,550.59	5,363.75	934,914.34	65.3731	.3772	65.7503
Ground (in 50-pound bags)	374,650						
Operating costs, exclusive of cost of coffee, containers, and provision for State franchise tax (exhibit D)		2,262.61	859.96	3,122.57	.6039	.2295	.8334
Container cost (bags) (exhibit C)		3,162.24		3,162.24	.8441		.8441
Costs, exclusive of cost of coffee and provision for State franchise tax		5,424.85	859.96	6,284.81	1.4480	.2295	1.6775
Cost of green coffee (exhibit C)		239,594.80		239,594.80	63.9516		63.9516
Costs, exclusive of provision for State franchise tax		245,019.65	959.96	245,879.61	65.3996	.2295	65.6291
Provision for State of California franchise tax (exhibit D)			602.21	602.21		.1608	.1608
Total cost		245,019.65	1,462.17	246,481.82	65.3996	.3903	65.7899

Tinned coffee:							
Ground (2 20-pound tins to a carton):							
Navy	1,987,360						
Operating costs, exclusive of cost of coffee, containers, and provision for State franchise tax (exhibit D)		15,669.60	5,546.63	21,207.23	.7880	.2791	1.0671
Container costs:							
Tins (exhibit C)		38,350.23		38,350.23	1.9297		1.9297
Cartons (exhibit C)		8,342.15		8,342.15	.4198		.4198
Costs, exclusive of cost of coffee and provision for State franchise tax		62,352.98	5,546.63	67,899.61	3.1375	.2791	3.4166
Cost of green coffee (exhibit C)		1,270,949.21		1,270,949.21	63.9516		63.9516
Costs, exclusive of provision for State franchise tax		1,333,302.19	5,546.63	1,338,848.82	67.0891	.2791	67.3682
Provision for State of California franchise tax (exhibit D)			3,278.63	3,278.63		.1650	.1650
Total cost		1,333,302.19	8,825.26	1,342,127.45	67.0891	.4441	67.5332
Army	3,240,480						
Operating costs, exclusive of cost of coffee, containers, and provision for State franchise tax (exhibit D)		29,713.20	9,253.04	38,966.24	.9169	.2856	1.2025
Container costs:							
Tins (exhibit C)		62,531.78		62,531.78	1.9297		1.9297
Cartons (exhibit C)		35,461.27		35,461.27	1.0943		1.0943
Costs, exclusive of cost of coffee and provision for State franchise tax		127,706.25	9,253.04	136,959.29	3.9409	.2856	4.2265
Cost of green coffee (exhibit C)		2,072,339.93		2,072,339.93	63.9516		63.9516
Costs, exclusive of provision for State franchise tax		2,200,046.18	9,253.04	2,209,299.22	67.8925	.2856	68.1781
Provision for State of California franchise tax (exhibit D)			5,409.78	5,409.78		.1670	.1670
Total cost		2,200,046.18	14,662.82	2,214,709.00	67.8925	.4526	68.3451
Total costs, all package types		4,707,918.61	30,314.00	4,738,232.61			

EXHIBIT C

Cost of bag, carton, and tin containers, and green coffee, exclusive of warehousing costs, for period Mar. 27 to June 26, 1952, inclusive

	Costs payable from current naval appropriation	Allocation			
		Bagged coffee (50-pound bags)		Tinned coffee (ground) (2 20-pound tins to a carton)	
		Whole bean	Ground	Navy	Army
Containers:					
Bags	$15,163.94	$12,001.70	$3,162.24		
Tins	100,882.01			$38,350.23	$62,531.78
Cartons:					
Navy	8,342.15			8,342.15	
Army	35,461.27				35,461.27
Green coffee after bag recovery	4,492,223.10	909,339.16	239,594.80	1,270,949.21	2,072,339.93
Total	4,652,072.47	921,340.86	242,757.04	1,317,641.59	2,170,332.98

EXHIBIT D

Summary of operating costs, by type of package, for period Mar. 27 to June 26, 1952, inclusive

	Costs payable from current naval appropriation	Constructive costs	Total costs
Bagged coffee:			
Whole bean (in 50-pound bags):			
Operating costs, exclusive of provision for State franchise tax	$8,209.73	$3,079.48	$11,289.21
Provision for State of California franchise tax		2,284.27	2,284.27
Total	8,209.73	5,363.75	13,573.48
Ground (in 50-pound bags):			
Operating costs, exclusive of provision for State franchise tax	2,262.61	859.96	3,122.57
Provision for State of California franchise tax		602.21	602.21
Total	2,262.61	1,462.17	3,724.78
Tinned coffee:			
Ground (2 20-pound tins to a carton):			
Navy:			
Operating costs, exclusive of provision for State franchise tax	15,660.60	5,546.63	21,207.23
Provision for State of California franchise tax		3,278.63	3,278.63
Total	15,660.60	8,825.26	24,485.86
Army:			
Operating costs, exclusive of provision for State franchise tax	29,713.20	9,253.04	38,966.24
Provision for State of California franchise tax		5,409.78	5,409.78
Total	29,713.20	14,662.82	44,376.02
Summary, all package types (exhibit D, schedule 1):			
Operating costs, exclusive of provision for State franchise tax	55,846.14	18,739.11	74,585.25
Provision for State of California franchise tax		11,574.89	11,574.89
Total	55,846.14	30,314.00	86,160.14

SCHEDULE 1.—*Summary of total operating costs, for the period Mar. 27 to June 26, 1952, inclusive*

	Footnote	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1	$31,604.11		$31,604.11
Supervision and indirect labor	1	4,373.63		4,373.63
Payroll burden:				
Vacations, holidays, and sick leave	2	6,116.22		6,116.22
Retirement	3		$2,736.10	2,736.10
Compensation insurance	4		662.97	662.97
Depreciation	5			
Building			2,616.03	2,616.03
Machinery and equipment			4,495.77	4,495.77
Property taxes	6			
Building and land			2,999.02	2,999.02
Machinery and equipment			644.02	644.02
Inventory			350.60	350.60
Insurance	7			
Fire:				
Building, machinery, and equipment			202.78	202.78
Inventory			3,499.50	3,499.50
Other			19.61	19.61
Equipment rental		187.50		187.50
Repairs and maintenance	8			
Building		1,301.58		1,301.58
Machinery and equipment		3,271.82		3,271.82
Utilities	9			
Power		762.53	389.29	1,151.82
Roasting gas		1,258.42	(70.78)	1,187.64
Water		50.32	94.18	144.50
Heat and light		210.98	100.02	311.00
Supplies: Glue, thread, and strapping material		2,083.98		2,083.98
Cost of borrowed materials handling equipment	10	522.19		522.19
Subtotal (exhibit D, schedule 2)		51,743.28	18,739.11	70,482.39
General and administrative expenses, at 5 percent of above total costs and provision for State of California franchise tax	11	4,102.86		4,102.86
Subtotal (to exhibit D)		55,846.14	18,739.11	74,585.25
Provision for State of California Franchise Tax (to exhibit D)	12		11,574.89	11,574.89
Total operating costs (to exhibit D)		55,846.14	30,314.00	86,160.14

NOTE.—See exhibit D, schedule 12, for explanatory footnotes.

SCHEDULE 2.—*Summary of operating costs, by cost centers, for period Mar. 27 to June 26, 1952, inclusive*

Cost center	Costs payable from current naval appropriation	Constructive costs	Total
Warehousing:			
Green coffee (exhibit D, schedule 3)	$4,571.56	$5,463.70	$10,035.26
Empty tins and cartons (exhibit D, schedule 4)	2,365.87	2,222.31	4,588.18
Empty bags (exhibit D, schedule 5)	34.92	163.84	198.76
Packaged roasted coffee (exhibit D, schedule 6)	2,575.31	2,650.77	5,226.08
Total	9,547.66	10,500.62	20,048.28
Processing and packaging:			
Cleaning and roasting (exhibit D, schedule 7)	20,861.63	5,415.98	26,277.61
Grinding (exhibit D, schedule 8)	1,382.19	726.36	2,108.55
Bagging (exhibit D, schedule 9)	2,357.79	266.47	2,624.26
Tinning and cartoning (exhibit D, schedule 10)	13,628.07	1,620.67	15,248.74
Container strapping (exhibit D, schedule 11)	3,965.94	209.01	4,174.95
Total	42,195.62	8,238.49	50,434.11
Total	51,743.28	18,739.11	70,482.39

SCHEDULE 3.—*Warehousing costs of green coffee, for period Mar. 27 to June 26, 1952, inclusive*

	Footnote	Costs payable from current naval appropriation	Constructive costs	Total
Labor and supervision	1	$3,377.76		$3,377.76
Payroll burden:				
Vacations, holidays, and sick leave	2	574.22		574.22
Retirement	3		$256.88	256.88
Compensation insurance	4		62.24	62.24
Depreciation	5			
Building			680.85	680.85
Machinery and equipment			497.42	497.42
Property taxes	6			
Building and land			605.85	605.85
Machinery and equipment			24.83	24.83
Insurance	7			
Fire:				
Building, machinery, and equipment			110.88	110.88
Inventory			3,212.91	3,212.91
Other			1.84	1.84
Repairs and maintenance: Building	8	276.58		276.58
Utilities: Heat and light	9	21.10	10.00	31.10
Cost of borrowed materials handling equipment	10	321.90		321.90
Total		4,571.56	5,463.70	10,035.26

NOTE.—See exhibit D, schedule 12, for explanatory footnotes.

SCHEDULE 4.—*Warehousing costs of empty tins and cartons, for period Mar. 27 to June 26, 1952, inclusive*

	Footnote	Costs payable from current naval appropriation	Constructive costs	Total
Labor and supervision	1	$1,559.56		$1,559.56
Payroll burden:				
Vacations, holidays, and sick leave	2	265.13		265.13
Retirement	3		$118.60	118.60
Compensation insurance	4		28.74	28.74
Depreciation	5			
Building			650.69	650.69
Machinery and equipment			284.28	284.28
Property taxes	6			
Building and land			775.19	775.19
Machinery and equipment			14.19	14.19
Inventory			221.05	221.05
Insurance	7			
Fire:				
Building, machinery, and equipment			32.83	32.83
Inventory			90.89	90.89
Other			.85	.85
Repairs and maintenance: Building	8	334.15		334.15
Utilities: Heat and light	9	10.55	5.00	15.55
Cost of borrowed materials handling equipment	10	196.48		196.48
Total		2,365.87	2,222.31	4,588.18

NOTE.—See exhibit D, schedule 12, for explanatory footnotes.

SCHEDULE 5.—*Warehousing costs of empty bags, for period Mar. 27 to June 26, 1952, inclusive*

	Footnote	Costs payable from current naval appropriation	Constructive costs	Total
Labor and supervision	1	$26.59		$26.59
Payroll burden:				
Vacations, holidays, and sick leave	2	4.52		4.52
Retirement	3		$2.02	2.02
Compensation insurance	4		.49	.49
Property taxes: Inventory	6		129.55	129.55
Insurance	7			
Fire—Inventory			31.77	31.77
Other			.01	.01
Cost of borrowed materials handling equipment	10	3.81		3.81
Total		34.92	163.84	198.76

NOTE.—See exhibit D, schedule 12, for explanatory footnotes.

SCHEDULE 6.—*Warehousing costs of packaged roasted coffee, for period Mar. 27 to June 26, 1952, inclusive*

	Footnote	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1	$1,352.00		$1,352.00
Supervision and indirect labor	1	390.40		390.40
Payroll burden:				
Vacations, holidays, and sick leave	2	296.21		296.21
Retirement	3		$132.51	132.51
Compensation insurance	4		32.11	32.11
Depreciation	5			
Building			724.38	724.38
Machinery and equipment			619.22	619.22
Property taxes	6			
Building and land			912.44	912.44
Machinery and equipment			36.64	36.64
Insurance	7			
Fire:				
Building, machinery, and equipment			18.58	18.58
Inventory			163.93	163.93
Other			.95	.95
Repairs and maintenance	8			
Building		389.60		389.60
Machinery and equipment		126.00		126.00
Utilities: Heat and light	9	21.10	10.01	31.11
Total		2,575.31	2,650.77	5,226.08

NOTE.—The above warehousing costs relate entirely to the temporary storage of packaged coffee pending shipment to requisitioning activities. See exhibit D, schedule 12, for explanatory footnotes.

SCHEDULE 7.—*Cleaning and roasting costs of coffee, for period Mar. 27 to June 26, 1952, inclusive*

	Footnote	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1	$12,626.77		$12,626.77
Supervision and indirect labor	1	2,218.31		2,218.31
Payroll burden:				
Vacations, holidays, and sick leave	2	2,523.66		2,523.66
Retirement	3		$1,128.97	1,128.97
Compensation insurance	4		273.56	273.56
Depreciation	5			
Building			414.73	414.73
Machinery and equipment			2,280.26	2,280.26
Property taxes	6			
Building and land			522.41	522.41
Machinery and equipment			455.11	455.11
Insurance	7			
Fire—Building, machinery, and equipment			30.86	30.86
Other			8.09	8.09
Repairs and maintenance	8			
Building		223.06		223.06
Machinery and equipment		1,408.63		1,408.63
Utilities	9			
Power		457.52	233.58	691.10
Roasting gas		1,258.42	(70.78)	1,187.64
Water		50.32	94.18	144.50
Heat and light		94.94	45.01	139.95
Total		20,861.63	5,415.98	26,277.61

NOTE.—See exhibit D, schedule 12, for explanatory footnotes.

SCHEDULE 8.—*Grinding costs of coffee, for period Mar. 27 to June 26, 1952, inclusive*

	Footnote	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1	$226.34		$226.34
Supervision and indirect labor	1	39.80		39.80
Payroll burden:				
Vacations, holidays, and sick leave	2	45.24		45.24
Retirement	3		$20.24	20.24
Compensation insurance	4		4.90	4.90
Depreciation	5			
Building			35.39	35.39
Machinery and equipment			500.96	500.96
Property taxes	6			
Building and land			44.58	44.58
Machinery and equipment			72.70	72.70
Insurance	7			
Fire—Building, machinery, and equipment			4.76	4.76
Other			.15	.15
Repairs and maintenance	8			
Building		19.04		19.04
Machinery and equipment		967.61		967.61
Utilities	9			
Power		76.25	38.93	115.18
Heat and light		7.91	3.75	11.66
Total		1,382.19	726.36	2,108.55

NOTE.—See exhibit D, schedule 12, for explanatory footnotes.

SCHEDULE 9.—*Bagging costs of coffee, exclusive of bag cost, for period Mar. 27 to June 26, 1952, inclusive*

	Footnote	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1	$1,382.24		$1,382.24
Supervision and indirect labor	1	242.74		242.74
Payroll burden:				
Vacations, holidays, and sick leave	2	276.25		276.25
Retirement	3		$123.58	123.58
Compensation insurance	4		29.94	29.94
Depreciation	5			
Building			10.53	10.53
Machinery and equipment			57.07	57.07
Property taxes	6			
Building and land			13.26	13.26
Machinery and equipment			7.24	7.24
Insurance	7			
Fire—building, machinery, and equipment			.76	.76
Other			.88	.88
Repairs and maintenance	8			
Building		5.66		5.66
Machinery and equipment		256.52		256.52
Utilities	9			
Power		38.13	19.46	57.59
Heat and light		7.91	3.75	11.66
Supplies: Thread		148.34		148.34
Total		2,357.79	266.47	2,624.26

NOTE.—See exhibit D, schedule 12, for explanatory footnotes.

SCHEDULE 10.—*Tinning and cartoning costs of coffee, exclusive of container costs, for period Mar. 27 to June 26, 1952, inclusive*

	Footnote	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1	$8,791.24		$8,791.24
Supervision and indirect labor	1	1,544.33		1,544.33
Payroll burden:				
Vacations, holidays, and sick leave	2	1,757.05		1,757.05
Retirement	3		$786.02	786.02
Compensation insurance	4		190.46	190.46
Depreciation	5			
Building			99.46	99.46
Machinery and equipment			256.56	256.56
Property taxes	6			
Building and land			125.29	125.29
Machinery and equipment			33.31	33.31
Insurance	7			
Fire—Building, machinery, and equipment			4.11	4.11
Other			5.64	5.64
Equipment rental		187.50		187.50
Repairs and maintenance	8			
Building		53.49		53.49
Machinery and equipment		513.06		513.06
Utilities	9			
Power		190.63	97.32	287.95
Heat and light		47.47	22.50	69.97
Supplies: Glue		543.30		543.30
Total		13,628.07	1,620.67	15,248.74

NOTE.—See exhibit D, schedule 12, for explanatory footnotes.

SCHEDULE 11.—*Container strapping costs of coffee in Army export containers, for period Mar. 27 to June 26, 1952, inclusive*

	Footnote	Costs payable from current naval appropriation	Constructive costs	Total
Direct labor	1	$1,871.21		$1,871.21
Supervision and indirect labor	1	328.45		328.45
Payroll burden:				
Vacations, holidays, and sick leave	2	373.94		373.94
Retirement	3		$167.28	167.28
Compensation insurance	4		40.53	40.53
Insurance: Other	7		1.20	1.20
Supplies: Strapping material		1,392.34		1,392.34
Total		3,965.94	209.01	4,174.95

NOTE.—See exhibit D, schedule 12, for explanatory footnotes.

SCHEDULE 12.—*Summary of operating costs for the period Mar. 27 to June 26, 1952, inclusive*

FOOTNOTES

1. Direct and indirect labor and supervision recorded on NavSandA Form 279 for the accounting period April 1 to June 30, 1952, was adjusted as follows:

(*a*) To conform to processing period March 27 to June 26, 1952.

(*b*) To include labor costs incurred for the handling of green coffee and empty containers.

2. Allowance for vacations, holidays, and sick leave is at the rate of 17 percent of basic straight-time compensation, which excludes overtime pay (straight time and premium). This rate, prescribed in the Bureau of Supplies and Accounts Manual (vol. VI, par. 66357–2), for application to work performed for other military departments, is considered appropriate for use in the period of this study.

3. Allowance for Government contribution to the retirement fund is at the Civil Service Commission's reported present actuarial experience rate of 6.5 percent of basic straight-time compensation, including accrued vacations, holidays, and sick-leave pay, but excluding overtime pay (straight time and premium). No special consideration was given for any temporary employees who were covered by the Federal Insurance Contributions Act, and who are not presently eligible to participate in the Government's retirement plan.

4. The cost of compensation insurance is based on the net rate of $1.575 per $100 of payroll. This rate, after consideration of premium refunds based on probable experience, was quoted by a major insurance carrier.

5. The depreciation rates were taken from the Bureau of Internal Revenue Bulletin F published in 1942, and the Accountant's Handbook, second edition. Because the plant operated on a two-shift basis for a portion of the period covered by this study, an allowance for accelerated depreciation of the affected machinery and equipment items was made at the suggested accelerated rates contained in the Accountants' Handbook (p. 658), according to the hours of plant operation.

6. The assessor's office, county of Alameda, Calif., without inspection of the physical plant, furnished information relative to determination of assessed valuations of real and personal properties. The county of Alameda and city of Oakland, Calif., combined tax rate for the fiscal year ended June 30, 1952, of $7.39 per $100 of computed assessed value was used to determine property taxes applicable to the 3-month period under study.

7. Fire-insurance rates were secured from representatives of the local fire-insurance rating bureau. Actual inspection of the physical plant was not

made by them, and the rates recommended were based on information submitted by the supervisory cost inspector. The rates were based on a 90-percent average clause, less 16.67 percent for 3-year policies. The constructive cost for fire insurance on the buildings was based on insurable values of 150 percent of 1942–43 initial costs. The insurable value of machinery and equipment was assumed to be initial costs on the theory that accumulated depreciation has offset the difference from original costs to present replacement costs. Cost was the insurable value used in determining the cost of fire insurance on inventories. The "other" insurance is the cost of comprehensive public liability and property damage insurance computed at rates quoted per $100 of payroll.

8. Repair and maintenance costs of buildings are based on one-fourth of costs reported for the fiscal year ended June 30, 1952, by the public works officer, Naval Supply Center, Oakland, plus payroll burden (see footnotes 2, 3, and 4) applicable to the labor included therein. Repair and maintenance costs of machinery and equipment are based on one-fourth of recorded costs for the fiscal year ended June 30, 1952, plus payroll burden (see footnotes 2, 3, and 4) applicable to the labor included therein.

9. The usage of utilities was determined from meter readings applicable to the coffee-roasting plant. Naval Supply Center, Oakland, billing rates were used to determine "costs payable from current naval appropriations," and the differences between center rates and rates quoted by the supplying utility companies for independent plants of similar size were used in determining "constructive costs" of utilities.

10. The cost of borrowed materials handling equipment is based on a per diem cost of $7.25, computed by the materials handling equipment shop, Naval Supply Center, Oakland. This per diem cost includes maintenance and depreciation of the materials handling equipment borrowed by the coffee-roasting plant for use in warehousing operations. Costs of materials handling equipment permanently assigned to the coffee-roasting plant are included in the appropriate cost classifications for the various operations.

11. In view of the multitudious operations of the Naval Supply Center, Oakland, it is questionable whether any reduction in general and administrative expenses would inure to the Government should the Government procure its requirements of roasted coffee solely from commercial sources. However, and since cost data relative to general and administrative expenses incurred by commercial coffee processors could not be obtained, as a conservative measure an allowance of 5 percent of total operating costs (costs payable from current naval appropriations and constructive costs, but excluding direct material costs) has been included as general and administrative expenses.

12. It was assumed that an operation of the scope of the coffee-roasting plant would normally be by a corporate entity. In the State of California a corporation must pay a franchise tax for the privilege of doing business, which tax is computed at 4 percent of a corporation's net earnings before Federal income and State franchise taxes. Lacking factual financial statistics of corporate entities engaged solely in the processing and packaging of coffee, the computation of the provision for the State of California franchise tax has necessarily been made on an assumed net profit. This net profit was calculated on the following assumed operating ratios:

	Percent
Sales	100
Cost of sales	85
Selling, general and administrative expenses	10
Profit	5

EXHIBIT E

Pounds of roasted coffee processed and packaged, for period Mar. 27 to June 26, 1952, inclusive

	Pounds	Percent of green coffee
Roasted coffee processed:		
Green coffee started in process:		
Santos	5,865,552	70.7
Milds	2,428,110	29.3
Total	8,293,662	100.0
Less: Shrinkage	1,269,255	15.3
Total	7,024,407	84.7
Type of package:		
Bagged:		
Whole beans, in 50-pound bags	1,421,917	20.2
Ground, in 50-pound bags	374,650	5.3
Tinned:		
Ground, in 2 20-pound tins to a carton:		
Navy	1,987,360	28.3
Army	3,240,480	46.2
Total	7,024,407	100.0

FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT—PART III

(Section 3)

(Meeting with representatives of the coffee industry in connection with operation of coffee-roasting facilities within the armed services)

MONDAY, AUGUST 25, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
San Francisco, Calif.

The subcommittee met at 2:30 p. m. in the Federal Building, San Francisco, Calif.

Present: Representatives Herbert C. Bonner, chairman, (Mrs.) Cecil M. Harden, Thomas B. Curtis, and Franck R. Havenner.

Staff members present: Thomas A. Kennedy, general counsel, Ray Ward, staff director; and Herbert Roback, staff director, Reorganization Subcommittee.

Coffee industry representatives present: T. Carroll Wilson, Hills Bros. Coffee, Inc.; Peter Folger, J. A. Folger & Co.; Herbert Hills, Jr., Hills Bros. Coffee, Inc.; Carlton Corey, Standard Brands, Inc.; A. C. Glover, Manning's, Inc.; Frank Merriman, Milo Coffee Co.; C. E. Miller, A. Schilling & Co.; William J. Rowe, S. & W. Fine Foods, Inc.; W. O. Granicher, Leon Israel & Bros., Inc.; and Edward Bransten, M. J. B. Co., all of San Francisco, Calif.

Mr. BONNER. The subcommittee will come to order.

Gentlemen of the coffee industry and of the press, we are a subcommittee of the House Committee on Government Operations and have been studying supply management in the Federal Government during the past 2 years.

The members of the subcommittee present are: Mrs. Cecil M. Harden, of Indiana; Thomas B. Curtis, of Missouri; and myself, Herbert C. Bonner, of North Carolina.

The members of the staff are: Thomas A. Kennedy, general counsel to the full committee; Mr. Ray Ward, staff director; and Mr. Herbert Roback, staff director of the Executive and Legislative Reorganization Subcommittee.

Due to conditions beyond his control another member of the subcommittee, Mr. Shelley, of California, is not able to be present today. The full subcommittee is composed of seven members from the Committee on Government Operations.

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[1] Name changed to Committee on Government Operations, July 4, 1952.

25062—53——30

We have made a number of investigations, reports, and have introduced several bills designed to eliminate overlapping, duplication, and waste, particularly in the Military Establishment. We have found that there is enormous duplication and waste within and between the three military departments. This is a matter of grave concern to the Congress and to the taxpayer. You know we have a staggering national debt in excess of $260 billion and our annual budget is in the neighborhood of $80 billion. Most of this is necessary to run the military agencies.

In 1947 Congress passed the so-called Unification Act in the devout hope that the waste which came to light during World War II would be eliminated. I am sorry to say that the Unification Act has misfired. We now have three autonomous departments instead of two. We have been very critical in our reports of the Air Force in trying to set up a supply system for common items. We are happy to say that we spent 2 days at Dayton on this trip and have every assurance that the Air Force is now willing to let someone else handle common supply items for them.

COMMERCIAL-TYPE INDUSTRIES IN THE GOVERNMENT

One item of concern to the subcommittee has been the growing tendency of the military to set up what might be called commercial-type industries. Coffee is one of these industries. The military buys 125 million pounds of coffee a year and have a number of roasting plants to serve their own installations, both at home and abroad. We wonder if this is necessary either from the standpoint of economy or service. We have drawn no conclusions on this matter to date.

We solicit the advice and assistance of you gentlemen of the coffee industry in helping to solve this problem, involving one item out of several million. We believe that your interest as taxpayers, businessmen, and Americans will prompt you to give us the advantage of your experience and wisdom. I should like to ask you a few questions that we directed to the National Coffee Association and then members of the subcommittee and the staff will ask more detailed questions.

I also want to read a few paragraphs from a committee print which we have made for our own use in connection with commercial-type activities in the Federal Government.

The Federal Government annually requires millions of individual items which cost billions of dollars of the taxpayers' money. The extent and complexity of the far-flung and diverse Federal activities cannot be comprehended by any individual. Commercial-type activities alone stagger the imagination. A partial list of these activities operated by various agencies of the Government follows. Some commercial activities of the Federal Government:

United States mints, engraving and printing (paper money, bonds, stamps, etc.), printing of all kinds (Government Printing Office and other agencies), maintenance shops (automotive, typewriters, adding machines, ships, planes, etc.), guns, ammunition, clothing manufacture, bakeries, railroads, transports (air, sea, land), power plants, warehouses, testing facilities, coffee-roasting plants, commissaries, messes, force account construction projects (dams, roads, buildings, telephone lines), hospitals, schools, experimental operations of all kinds, fur sealing (Pribiloff Islands), banking, credit, loans, etc., insurance (crops, banks, etc.), laundries, spectacle manufacturing, paint manufacturing,

tree nurseries, fish hatcheries, telephone lines and other communications systems, synthetic rubber plants, and shipbuilding.

As a Nation we recognize the need for encouragement of individual initiative and enterprise under our system of democratic government. Government operations should be conducted only when necessary in the interest of (1) service (to obtain what is needed when and where), (2) cost, (3) security, (4) emergency, (5) experimental projects, (6) excessive risks, (7) general welfare (postal system, etc.), (8) quality control.

Theoretically, everything that is done by Federal Government agencies could be done by or through commercial concerns, States, counties, municipalities, or cooperative projects. It is recognized fully that the Government should pay a reasonable profit for what it gets and the factor of fair profit alone is no excuse for the Government's taking over. On the other hand, every profitable and unprofitable activity of a nation could be usurped by a socialized state devoid of the urge of personal incentive. As big government gets bigger, there is a tendency for Government agencies to take over more and more activities, sometimes justifiably and sometimes through desire rather than necessity. As all things are related, one enterprise leads to still another. Sometimes activities are started on a small scale and historical precedence becomes an excuse for continued operation on a large scale.

The subcommittee recognized the problem of commercial activities in the armed services and in its report No. 658, of June 27, 1951, stated the conclusion and recommendation that:

Except in isolated areas and under special circumstances, commercial-type operations in the military departments, such as coffee roasting, are of questionable value. Skilled military personnel, specialized equipment, and much-needed administrative and warehousing space are utilized by these activities, which are not essentially military operations.

Justification for their existence has been attempted on an economy basis. Cost figures shown to the subcommittee, however, fail to include all overhead and other cost factors, such as amortization, depreciation, etc., which are customarily considered in arriving at commercial costs.

It would appear that in the absence of adequate justification for maintaining commercial-type operations, the military departments could better utilize their funds and personnel in procuring the finished product on the commercial market than in duplicating commercial facilities and manufacture.

Other commercial-type operations such as clothing manufacturing, tire-retreading operations, and automobile overhauling shops examined by the subcommittee duplicate existing facilities of small and large civilian business operations, thereby competing for personnel, space, parts, and raw materials.

Recommendation.—The Secretary of Defense should ascertain whether under proper cost-accounting standards costs differentials and service justify retention of commercial-type operations in the Military Establishment.

Further investigations confirm the conviction that the military departments should make a more careful scrutiny of all their commercial-type operations which utilize trained military staff and other resources and facilities, which may not be justified on any of the bases listed above. Title IV of the National Security Act establishes a Comptroller for the Department of Defense who should make cost studies and evaluations on such matters with the basic idea of diminishing rather than justifying or perpetuating such activities. Under our system of government, the burden of proof should lie against Government operations which lead us to "military socialism."

In order to insure a supply of needed items, the military services under the theory of "responsiveness to command" want to be sure that they have production control. While there can be no quarrel with this basic concept provided we consider that command means "united command," this can be carried to an absurdity, however, as can be illustrated in the hypothetical case of flour. The services require millions of flour annually. To be certain of supply, control of the mills is required and distribution facilities from the mills to points of use. However, the next step would be assurance of a supply of grain for the mills, which would require control of the farms that produce the grain for the mills. In turn, this would require assurance of a supply of fertilizer, farm equipment, and farm help, and so the matter would go on ad infinitum until every industry and every facility would need to be controlled by the military in order to insure adequate supplies.

In a democracy we try to protect private enterprise but have systems of priorities in times of emergency to assure supplies to defense activities. Our system also permits requisitioning procedure and condemnation in the national interest, thus obviating the threat of "military socialism" which spreads and engulfs so quickly.

There are thousands of items used commonly in great quantities by both the civilian and military populations. These items generally are covered by civilian specifications, are in the competitive market, and can be procured for Government use through the time-honored system of competitive bidding. This system as often described by the Comptroller General of the United States requires that "needs are clearly stated, that free and full competition is obtained, and that award is made to the lowest responsive qualified bidder." Bid openings are public and quotations are read aloud and become public property. Such a system is in the interest of the bidders and the Government. Favoritism, collusion, nepotism, personal preferences, and other abuses are best avoided by this process.

The system to be successful requires that Government officials know what they need as to quantity and as to quality and so state in the specifications in the bid invitation. In making the award, the contracting officer must know that he is getting what he specified. This is the essence of testing. Without this corollary to good specifications, the process breaks down and responsible bidders are penalized and chiselers are rewarded.

Too often the Government is unable to throw out dishonest bidders. Often the Government gets stung before discovering the chiselers. The subcommittee believes that General Services Administration under its general authority pursuant to section 201 (a) (1), Public Law 152, Eighty-first Congress, should establish policies governing responsibility of bidders so they may be prequalified and/or debarred in order to protect the Government. This is prevention rather than costly and belated cure.

Coffee is certainly a civilian-type item in the United States. Imports in fiscal year 1951 were 20,357,372 bags of 132.276 pounds each, or 2,692,791,739 pounds at a value of $1,360,583,000. This was 67 percent of the world's production and represents a 16.7 pound per capita consumption. The world's greatest importers and manufacturers of coffee are located in the United States.

OVERLAPPING OF ARMY-NAVY FACILITIES

Now, we have heard the Navy this morning with regard to their coffee production for the armed services. Before coming here, we visited Army establishments and have heard the Army with respect to their coffee processing. In making this study, we have found that the Army and Navy overlap each other in the production of coffee and in the distribution of coffee. We find in some cases the Navy importing coffee from Brazil to New York, and shipping it back down to Texas—shipping it back processed when there is a processing plant in the immediate vicinity. We also found here on the Pacific coast where coffee is being processed here at Oakland and being shipped to Seattle and we find in the neighborhood of Seattle a coffee-processing plant of the Army which could easily supply those needs.

It is the desire of this subcommittee to see if it is necessary for the armed services to continue to buy and process coffee; to see that these unnecessary costs are worked out and many of these coffee establishments eliminated which duplicate each other, and to see that savings are made in transportation and other costs.

COSTLY CROSS-HAULING OF COFFEE

An example that has been pointed out is where green coffee was shipped to a Navy roasting plant in Brooklyn and the roasted coffee reshipped to Corpus Christi, Tex., when there is an Army contract

installation at San Antonio, Tex., and an Army owned plant at Atlanta.

The subcommittee, as I said, has not come to any conclusions. This subcommittee has taken a great deal of their private time of the individual Members of Congress and the Members that belong to this subcommittee have given their private time to this study. This is far beyond the concept of a Member of Congress who goes to Congress for legislative purposes, but if someone does not look into this, and your Representatives who are responsible to the people for a reduction of taxes, there is no telling where this thing will go.

The subcommittee has made studies around the world. The membership of this subcommittee has the greatest admiration and respect for the men who wear the uniform. This is not an individual matter. It seems to have grown in a cycle—like a snowball getting larger and larger all the time until the full Committee on Operations of the House of Representatives has come to the conclusion that something has got to be done about it.

Now, who will speak for the coffee industry. Will you come forward, sir, and give your name?

STATEMENT OF PETER FOLGER, J. A. FOLGER & CO., SAN FRANCISCO, CALIF.

Mr. FOLGER. My name is Peter Folger, of J. A. Folger & Co.

Mr. BONNER. Would you recommend that the Government manufacture its own coffee, buy commercially on its own specifications, buy its own green coffee and contract for roasting and packaging, or some other method? Obviously this subcommittee has no interest other than that of economy and efficiency. Do you have a general statement you desire to make?

Mr. FOLGER. I have a very short statement.

Before I undertake to answer that question, I would like to point out that I am not speaking as an officer of the Pacific Coast Coffee Association. Your staff's letter was not addressed to the association asking for this meeting, but rather to the individual members. So, in the light of that condition, we had a meeting of the roasting group and the green-bean members of the association and decided to appoint a committee, of which I happen to be the chairman, to see what we could do to answer your questions.

Mr. CURTIS. Who else is on that committee?

Mr. FOLGER. Mr. Carroll Wilson, of Hills Bros.; Mr. Andrew Glover, of Manning's, Inc.; Mr. Hills, of Hills Bros.; and Mr. James D. DeOrmand, who could not be here today.

However, getting back to your question, prior to our receiving letters from Representative Shelley, the National Coffee Association was addressed by Mr. Ward [see San Francisco Exhibits 2A and 3B, p. 509], as you all know, asking, I believe, the same series of questions that you have just asked me. On August 6 Mr. Ward received a letter from the National Coffee Association over the signature of Mr. Edward Aborn, who is the president, and he spelled out the answers numerically and alphabetically as Mr. Ward asked them [see San Francisco Exhibit 2B, p. 509], and it is the feeling of this group here that, in general, the answers that Mr. Aborn gave to Mr. Ward's questions stated the feeling of this group as well, with one exception.

Do you have copies of this letter which I am referring to?
Mr. WARD. Yes.

NO MORE PLANTS SHOULD BE ESTABLISHED

Mr. FOLGER. In paragraph 8, it is concluded that the method that is now being used is the most satisfactory way of procuring green coffee for the Government. In other words, the Government is buying the coffee through the assistance of the grading committees of the national association and then roasting it in the Government plants, as you saw this morning. However, the one point which we wish to add, and I believe Mr. Aborn agrees with us as the president of the association, is that no further plants should be established at the present time by the Government.

Our thought on that is, first of all, we basically do not believe that Government should be in business at all. However, if it is found that they should be in business just as they are at the present time, it should not set forth to increase that in case of a national emergency, for two reasons:

1. We have the commercial facilities to supply all the coffee that the Government needs, and

2. It is possible that if the Government should expand their business it could be quite damaging to the industry as a whole. By that I mean, if similar to World War II, we had a rationing program of coffee; the production of these people would be, naturally, cut in half; in the meantime the Government established new plants and there would be no chance for the individual company to apply for the Government business under the rationing program. That is rather a long-winded dissertation, but does that, more or less, answer your question without spelling it out one by one?

Mr. BONNER. This subcommittee is very patient and we want your full views on this subject. We have heard the Army and the Navy as to why they are in the coffee business and what they are doing and we have asked for statements from them to show how they operate, what it costs to operate, and now we would like to know what you think about that. That is what we want to know.

WASHINGTON MEETING OF ADMIRAL RING AND NATIONAL COFFEE ASSOCIATION

Mr. FOLGER. I might go on a little further here. On August 20, there was a meeting in Washington at which Mr. Aborn and Mr. O'Connor, one of our national officers, went to Washington and met with the Munitions Board, at which Admiral Ring, Chief of the Buying Section, I believe was there, and it was evidently quite a satisfactory meeting, at the end of which Admiral Ring took this position, which we believe, as a group, is satisfactory for the time being to the coffee industry; namely, that the armed services—let me go back a second—Ring indicated if the National Coffee Association would back his proposal, he would seriously consider the following as an over-all policy, and this is the policy as proposed by the national association, and what we think for the time being is a step in the right direction: (See Francisco Exhibit 2B, p. 509, and Oakland Exhibit 3, p. 441.)

(1) The armed services to continue the purchase, and industry the inspection, of green coffee as at present.

(2) All coffee for the armed services to be packed in 20-pound cans for domestic use as well as overseas.

INDUSTRY PROFITS WITH INCREASE IN MILITARY GRADE OF COFFEE

It is our opinion that the better the grade of coffee that the Armed Forces get, the better it is for the industry as a whole. In other words, if you feed them inferior coffee, the personnel when released from the service will not be as anxious to resume coffee drinking quite as fast as they would had they been served a good grade. It is our opinion that the vacuum-pack tin is the best way to supply the GI with coffee.

(3) Discontinue all coffee roasting by the armed services except to the capacity of the plants at Brooklyn, Atlanta, Oakland, and Portland,[2] closing such other plants as are now in operation, including one operated by the Marine Corps; requirements beyond such capacity to be obtained from private industry under some inspection set-up to be recommended by the National Coffee Association. That is what we were talking about this morning, how best to inspect that coffee.

I would like to, on my own initiative, go a little further than the National Coffee Association and suggest that we close the smaller plants, but with a long-term policy to close the bigger ones eventually. I do not think that would be out of order, but that is purely a personal opinion of my own.

GOVERNMENT-ROOSTED COFFEE SHOULD NOT BE SOLD IN COMMISSARIES

(4) Discontinue the sale of Government-roasted coffee in all commissaries and post exchanges, overseas as well as domestic, and confine the production of Government plants to production of coffee to be served as beverage by the armed services. I think that is quite important. The individual houses under their own label, as you know, sell to the commissaries and exchanges and I know it is common practice in the same commissary and exchange to sell the Government coffee at considerably reduced prices way below our commercial prices. I believe Mr. Ward has cited cases where some of these exchanges were actually selling the general-issue coffee considerably below the Government cost; is that correct?

Mr. WARD. Yes, sir; the old price.

STATEMENT OF W. O. GRANICHER, LEON ISRAEL BROS., INC., SAN FRANCISCO, CALIF.

GOVERNMENT COFFEE SOLD AT 32 CENTS PER POUND IN COMMISSARIES

Mr. GRANICHER. I am W. O. Granicher, with the Leon Israel Bros., Inc. Just to prompt Mr. Folger, I recall that issue coffee was being sold at 32 cents for a considerable length of time after commercial prices had risen above that figure. It took place sometime before the price was altered.

[2] Should be Auburn, Wash.

SOLE PRICE LESS THAN COST OF BEAN

Mr. BONNER. You mean the commissaries were selling the finished product cheaper than the green coffee cost?

Mr. GRANICHER. That is right.

Mr. BONNER. Do you know how long that existed?

Mr. GRANICHER. I do not know, but I have friends who bought the coffee and more or less taunted me with the idea that they could buy from the Government much cheaper than we in the green business were selling coffee.

Mr. BONNER. Do you know where that took place?

Mr. GRANICHER. In San Francisco; the Presidio, San Francisco.

Mr. BONNER. Were your friends service people?

Mr. GRANICHER. Service people.

Mr. BONNER. Living on the base or living out?

Mr. GRANICHER. Retired.

Mr. BONNER. Retired service people?

Mr. GRANICHER. Yes, sir. Now, I haven't dates, but it is just a recollection of mine that it happened a few years ago when the price change took place.

Mr. BONNER. Approximately when was this?

Mr. GRANICHER. About 1950 and 1951.

Mr. FOLGER. Getting back to this other part of the subject, I know I cannot document it at the present time, but I am sure we could easily get plenty of examples where the coffee is being sold at a considerably cheaper price.

Mr. BONNER. At the present time?

Mr. FOLGER. Yes, sir, at the present time. I would not say it was being sold below green coffee, but it was considerably below our mark-up.

Mr. BONNER. Considerably below the cost of commercial products?

Mr. FOLGER. That is correct.

Mr. BONNER. Will you get those figures and supply them to the subcommittee?

Mr. FOLGER. I will endeavor to do so. I think we can pick them up through the sales forces, can we not?

Mr. WILSON. I would think so.

Mr. BONNER. Give your name and company.

STATEMENT OF CAROLL WILSON, HILLS BROS. COFFEE, INC., SAN FRANCISCO, CALIF.

Mr. WILSON. Caroll Wilson, Hills Bros. Coffee, Inc. I was answering Mr. Folger's question.

Mr. BONNER. When anyone answers a question, give your name and identify yourselves so when we get back and read this record, we will know who you are.

GOVERNMENT ISSUE COFFEE COMPETES WITH COMMERCIAL COFFEE

Mr. WILSON. I was merely answering Mr. Folger's question. I think we can get those figures. We all know in a general way that issue coffee—Government issue coffee—is sold at Army and Navy post exchanges to their personnel, and I presume that the civilian personnel

of the Army and Navy is allowed to trade in those places. I may be wrong, but according to hearsay, their friends, indirectly and otherwise, are permitted to obtain Government issue coffee at prices that are highly competitive to the brands of commercially produced coffee that are offered for sale at the same prices. I cannot give you facts and figures now, but I can assist Mr. Folger in obtaining those figures.[3]

Mr. BONNER. We want the facts and we want to cite cases so we will have substantial ground to stand on.

Mr. WILSON. We can work that up.

Mr. FOLGER. You can give us some information on this, can you not, Mr. Bransten, from your experience?

STATEMENT OF EDWARD BRANSTEN, M. J. B. CO., SAN FRANCISCO, CALIF.

Mr. BRANSTEN. I am Edward Bransten with the M. J. B. Co. I was with the Navy during the war and I was in charge of the coffee-roasting plant over at Oakland and also the one at Pearl Harbor. Those were my two tours of duty.

SURVEY OF FACILITIES ON PACIFIC COAST

I might say that I had one very interesting experience which bears on the subject, and that is, at the beginning of my tour of duty at Oakland, there was an attempt to expand the roasting facilities at that plant and that this attempt at that time was delayed, I think, by the War Production Board, until a survey could be made by the local command of existing surplus civilian roasting facilities on the Pacific coast.

With the assistance of the Pacific Coast Coffee Association and my former colleagues in the coffee business, because I had been in the coffee business myself, I was asked to make such a survey. At that time, as indicated by Mr. Folger, as to the possibility of rationing of coffee—I do not recall to the exact extent that the civilians were rationed, but I think it was 75 percent or maybe lower, 65 percent of normal consumption I think at one time—the result of this survey which I made showed that on the Pacific coast at that time that there was ample surplus civilian roasting facilities, particularly in view of the fact that there was rationing. But without rationing, there were ample roasting facilities, because no roasting plant is operating at full capacity, if you consider that these coffee-roasting plants can put on a second or a third shift. So, the result of that survey was that at that time the Navy coffee roasting plant at Oakland was not expanded. Now, what the situation is since that time or what the requirements of the armed services are at the present time, I am not in a position to know.

I might be able to comment, if you care to, on the vacuum packing of coffee also, which is a very interesting subject.

Mr. BONNER. Go ahead, sir.

Mr. BRANSTEN. I do not know whether it was in Mr. Aborn's report or his letter—is it a report?

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[3] See pp. 294–295 indicating that sales of Navy roasted coffee for June and July 1952 were 4 to 1 over sales of commercial coffee in Navy commissaries. On an annual pound basis it would be 1,673,466 to 431,678.

Mr. FOLGER. It was a memo of a telephone conversation with Mr. Aborn after he had met with Admiral Ring.

Mr. BRANSTEN. Mr. Aborn recommended that all issue coffee be put in 20-pound vacuum-packed cans. I do not know whether he recommended it, but they were considering it.

Mr. CURTIS. The Munitions Board did recommend it to the other services.

VACUUM-PACK PROVIDES BETTER COFFEE

Mr. BRANSTEN. I can say this in regard to that: At very small additional expense to the service, better coffee can be provided to all the men in the service by vacuum packing coffee in 20-pound cans. It is true that it costs slightly more than packing it in bags, but the 20-pound can is sufficiently large so that the cost of such a can is not a great deal more than the coffee in a bag, and moreover, it is economical as to the amount of tin plate, because per pound there is much less tin plate used in a 20-pound can than there is in an ordinary 1- or 2-pound can. It is my observation also that the distances that coffee is taken by the services and the time lag between the production of this coffee and its consumption is so great that the coffee should be given the protection of vacuum packing in order to furnish really good coffee to the men in the service.

Mr. BONNER. You are in the industry at the present time?

Mr. BRANSTEN. Yes, sir.

Mr. BONNER. You had charge of a coffee-roasting plant when you were in service?

Mr. BRANSTEN. Yes, sir.

Mr. BONNER. Does the armed services produce a finished coffee as economically as you can in private industry?

Mr. BRANSTEN. Well, that is a difficult question.

Mr. BONNER. Taking into consideration all the factors.

Mr. BRANSTEN. As I said, that is a difficult question to answer. In my opinion—this is just an opinion, because I have no exact comparison that I can think of now—the roasting facilities, or the method of operation at Oakland, for example, where there is a naval supply depot, was extremely efficient. It was very well conducted and very well run in a most economical manner. However, if I may say so, and I would say that there was no reflection on the service, because if it was, it would be a reflection on myself also because I had something to do with it—I think with regard to the use of labor and personnel and the method of operation that it was very efficiently run, but I do not think, if I may have the presumption to say so, that that is the point. I think the first point is as to whether it is needed, or whether expansion is needed. I am not saying whether the present plant facilities may not be needed, but whether expansion of this facility is needed and whether the civilian producers cannot do the job as well.

DOES PRIVATE INDUSTRY WANT GOVERNMENT BUSINESS

Mr. BONNER. It has been stated to this committee that private industry does not want this business.

Mr. BRANSTEN. Well, now, at what time was that?

Mr. CURTIS. This morning.

Mr. BRANSTEN. I think the survey which I was asked to conduct by the Navy at that time indicated that private industry on the Pacific coast, at least, was ready and willing to do anything within its power to process green coffee into roasted coffee for the services. And, I will go further and say, that there was one example right in San Francisco, to wit, Standard Brands, of whom we have a representative here today, that roasted coffee for the Army in a very efficient manner during a considerable period of the war.

PRIVATE COMPANIES COULD MAKE MILITARY BLEND

Mr. BONNER. The armed services have their own specifications as to the blend of coffee that they use. Any private coffee producer could take those specifications and blend the coffee just as they blend it—take it and prepare it for use, could they not?

Mr. BRANSTEN. Yes, sir; easily.

Mr. BONNER. What is your opinion about the blend that the armed services use at the present time?

Mr. BRANSTEN. I do not know what the blend is now, sir, but I know that the blend that we used during my tour of duty was a very good blend; it would be a very good general average standard for civilian consumption throughout the United States.

Mr. BONNER. I take it this group represents similar groups of coffee processors all over the United States. In other words, you have just as large a processing area here as there would be anywhere else, is that right?

Mr. BRANSTER. That is correct.

Mr. BONNER. If all these plants were closed down, could private industry, without losing any time at all, furnish the armed services with the type of coffee that they need today?

Mr. BRANSTEN. The type could be furnished. As to the quantity, I believe a survey could, or should, very rapidly be made, but I cannot say as to the quantity, sir. I believe they could as to the type, yes.

PRODUCERS NOT OPERATING AT FULL CAPACITY

Mr. BONNER. The largest producer here in this area, does he only operate his mill on an 8-hour shift—just one 8-hour shift?

Mr. BRANSTEN. I cannot answer that.

Mr. BONNER. Is it the custom to operate an ordinary coffee roasting mill just 8 hours a day?

Mr. BRANSTEN. I would rather that each of the producers speak for themselves, but I can answer for my own plant. Our plant operates on an 8-hour shift customarily.

Mr. BONNER. Just one shift of 8 hours?

Mr. BRANSTEN. One shift of say from 8 to 10 hours and at the present time we are not operating on Saturdays either.

Mr. CURTIS. Is that a 40-hour week?

Mr. BRANSTEN. Approximately; slightly more in some departments; maybe 45 or 48 hours.

GOVERNMENT ISSUE COFFEE 70 PERCENT SANTOS AND 30 PERCENT COLOMBIAN

Mr. CURTIS. The armed services are using 70 percent Santos and 30 percent Colombian, is that what they were using when you were with them?

Mr. BRANSTEN. During the great difficulties of the war, the armed services were getting the best they could and getting everything that they could; they were operating under difficulties of shipping just as civilian industry was. I believe they had at least that good blend or better during the war.

MILITARY USES ABOUT 57 PERCENT OF COFFEE IMPORTS

Mr. CURTIS. I am directing my attention to Mr. Bonner's question. Inasmuch as the figures show that the military only takes about 5 percent of the amount of coffee consumed in the country and the commercial industry is supplying the other 95 percent and with your plant running on a 40- to 48-hour week, it would be very easy for the industry to take over the additional 5 percent, would it not?

Mr. BRANSTEN. Provided that the other plants in this area and in others, paralleling our experience—as I say, I do not know whether it is all right for me to speak for them.

Mr. CURTIS. I appreciate that, but I was putting it to you as a hypothetical question.

Mr. BRANSTEN. Yes, sir.

COMMISSARY SALES PRICE

Mr. BONNER. Back just a few moments ago you spoke of the commissaries underselling. What is the price of coffee prepared by private industry compared to coffee prepared by the armed services in the commissaries today? What is the difference?

Mr. FOLGER. Selling price? I think about 10 cents. Isn't that about right, Mr. Branstен?

Mr. BRANSTEN. I do not remember. I cannot answer that question.

Mr. BONNER. Is anyone in the industry familiar with that sort of thing?

Mr. FOLGER. I can get that information for you very quickly.

Mr. BONNER. I would like to have that information as to a similar type or grade of coffee as near as possible.

STATEMENT OF FRANK MERRIMAN, MILO COFFEE CO., SAN FRANCISCO, CALIF.

Mr. MERRIMAN. I am Frank Merriman, from the Milo Coffee Co. Last week the commissary at the Presidio was selling for 66 cents per pound in the paper bag.

Mr. CURTIS. I think that should go in the record; that is below the cost production of 71 cents.

Mr. FOLGER. Which commissary was that?

Mr. MERRIMAN. Sixty-six cents in paper bags; retailing to the military personnel in the service.

Mr. CURTIS. This is the estimate from January 1, 1951, to April 1951, and that is for bag coffee?

Mr. MERRIMAN. In the paper bag for 66 cents.

Mr. CURTIS. We have no way of knowing what that figure would be as of that date, but on April 30, 1951, it would be 69.5.

Mr. BONNER. It cost the services 69 cents to process it.

GOVERNMENT SELLS AT PROHIBITIVE PRICE TO MEET COMPETITION

Mr. MERRIMAN. I might say further, I have known this practice to exist over a period of a long time. I do not know that it has always been that way, but I do over a period of many years know that that has been the practice of the Government to sell at a prohibitive price to meet the competition of the individual roaster.

Mr. BONNER. You would say it was at a price less than the cost of processing and buying the coffee?

Mr. MERRIMAN. At times it was a decided loss.

Mr. BONNER. Under the best business methods——

Mr. MERRIMAN (interposing). That is right exactly. Green coffee alone was costing them over 50 cents. Actually the Government GI blend is not as high quality as the leading coffee of the national brands.

Mr. BONNER. What do you base that statement on?

Mr. FOLGER. I do not think—I may be all wrong on this—but it is my personal opinion that there is no top grade commercial seller that has a proportion of 70 percent Santos and 30 percent mild. Am I right on that, Bill?

Mr. BONNER. You mean the trade recognizes the fact that the percentage blend in Army coffee is below the standard commercial trade coffee—the top grade?

Mr. FOLGER. I think it is safe to say that.

Mr. CURTIS. Below the top grade?

Mr. FOLGER. It is not as good coffee as our well-known brands. I do not think it is a mistake to say that; I hope I am right; I had better be right.

Mr. CURTIS. What is the percentage in the recognized high type?

Mr. FOLGER. That is a similar question to the one which Mr. Bransten had. I do not know whether I could answer that or not.

Mr. CURTIS. Is that a trade secret that we are getting into?

Mr. FOLGER. Yes, sir; but I think you can safely assume that the percentage is much higher than about 70–30.

STATEMENT OF CARLTON COREY, STANDARD BRANDS, INC., SAN FRANCISCO, CALIF.

PRIVATE COMPANIES FURNISH COFFEE DURING WAR

Mr. COREY. I am Carlton Corey, of Standards Brands, Inc. I just want to support Mr. Bransten's case about expanding plant production from a 40-hour week to maybe 120-hour week. We had the private roasting contract with the Army from October 1941 to about 1945, and at that time we went from 8 hours a day to 24 hours a day and from a 5- to a 7-day week. Also later on during the year we also increased the facilities of our Los Angeles and Seattle plants. So all three plants on the Pacific coast were engaged in roasting coffee for the

Army. So there was no question at that time that our people were not able to expand through the full usage of our existing coffee roasting plant facilities on the west coast.

Mr. CURTIS. Was it a satisfactory operation so far as you know?

Mr. COREY. We found it was very satisfactory and we had no trouble. We got all the coffee we needed; the services supplied us with the green coffee and we roasted it and packed it for them.

Mr. CURTIS. After all, people are people, whether they are wearing a uniform or not and drinking coffee, as I understand it. If a million or two million of our people as civilians were drinking coffee and then put on a uniform and went to drinking coffee as military personnel, I can't understand how that would place a great burden on you and pose a great problem so far as supplying coffee is concerned.

Mr. COREY. It should not at all.

Mr. CURTIS. There is one little answer, they drink more in the service, but essentially it is a fact that if you are taking personnel out of the civilian population, you have that much withdrawn from your normal market?

PEAKS IN PROCUREMENT

Mr. COREY. There is a question of stockpiling there too. The momentary impetus of a lot of orders was tremendous at times and there was that feature about it too, and at other times it would slow down to normal or subnormal volume, but they have tremendous peaks.

COFFEE STOCKS

Mr. CURTIS. I wonder if we could get—this may be a trade secret too; we do not want to get into your trade secrets—but our committee has found that the military is keeping on hand a 6-months' supply of green coffee, although that figure does not seem to be true for this area, which is a 3 to 4 months' supply, is that considerably beyond the normal practice of industry here as to the amount of green coffee stocks?

Mr. FOLGER. That is a little hard to answer, but my guess would be it is considerably longer than most people carry in inventory. Three to four months is what most people carry. It mainly depends on the source of supply—where it comes from.

Mr. CURTIS. It is my understanding also that the green coffee keeps up to about 10 years.

Mr. FOLGER. I would not want to roast any up. I think for quality coffee anything over a year would be pretty old coffee.

Mr. CURTIS. Would it?

Mr. FOLGER. You can drink it all right.

Mr. CURTIS. I understood previously that the green coffee could be stored down in the countries where it is grown and in that way you do not have a tremendous supply problem, as long as they do have the warehousing down there.

Mr. FOLGER. The grower when he reaps his crop wants to get rid of it. He doesn't want to store it, or anything like that. He wants to get it up here and consumed. I do not think that would be a very practical way of handling it.

Mr. BRANSTEN. I just want to add a few remarks with regard to the green coffee. From my observation, I do believe that the mili-

tary, from the observations that I have made in regard to stockpiling green coffee, they do need enormous quantities of it. It is true in the services, and particularly in the Navy, much more is consumed than by civilians. They do need stockpiling. Those are military matters. It does take some time to bring these coffees from the producing countries and they do use great quantities.

With regard to their blend, I might also say this, that although it might not be quite as good as private brands, when you consider the enormous quantity which they use, or have been using in the past, it must be realized that that means taking into consideration, at least, the proportion in production. By and large their standard of green coffee is a very good one, and the gentlemen in the coffee industry are somewhat involved in that, because it is the duty of the National Coffee Association, and it has done it very well, to pass on the quality of this coffee to see that it conforms with the Government contracts.

MILITARY BUYING MAY INDUCE INFLATION

Mr. BONNER. Does the buying of the armed services inflate the coffee market?

Mr. BRANSTEN. It is liable to; yes.

Mr. BONNER. Has it?

Mr. BRANSTEN. I think at times it has, but perhaps that is unavoidable. If you took any one entity that required the quantity of coffee that the Government needs in a market, I think any one entity that required those quantities of coffee, might have a tendency to make the coffee market advance.

Mr. CURTIS. On this storage of green coffee, I would like to read from this draft of the Munitions Board staff study prepared on May 15, 1952, on page 11:

> Green coffee is classified as a nonperishable product and estimate of storage life extends to 10 years. Green coffee must be periodically fumigated to prevent or destroy mold or infestation. It loses some moisture during storage, but this does not have any material effect on its aroma or flavor after roasting.

I would like to get the comment on that, and if that information which has been supplied us, is wrong, and it obviously is, in view of your statement if it was a year old, it would be questionable whether it would go into high quality coffee, and this should be corrected.

Mr. GRANICHER. So far as the quality deterioriating is concerned, it is largely a question of taste. Generally speaking, when coffee is a year or so old, it depreciates in value commercially. There are some people in the trade over the years who have paid premiums for old crop coffees for aged coffee. That just proves my point in stating it is a question of taste. I have seen coffee 18 years of age, green coffee, which could be roasted and developed into a palatable drink, but it unquestionably deteriorated from the time it was produced. It deteriorates very slowly, but undoubtedly coffee that is 3 or 4 or 5 years old is still commercially salable and would find use, although at a reduced market price from the same coffee which was, as we say, "new crop." So, it is difficult to answer that question very definitely. You cannot tell chemically or mechanically how that coffee deteriorates. It is a question of taste. You will find people who will buy it after it is a few years old and use it very readily, and on the other hand, there

are people in the trade who consider that commercially it has lost its value.

Mr. CURTIS. Thank you, sir.

INDUSTRY INSPECTS FOR GOVERNMENT

Mrs. HARDEN. Am I correct in my understanding, that the commercial industry inspects the bean for the military operations?

Mr. FOLGER. Do you mean the National Coffee Association?

Mrs. HARDEN. Yes.

Mr. FOLGER. I am not too familiar with the workings of the system, but as I understand it, the National Association accredits various experienced green men to do it. They test and cup and grade the coffee that is bought by the Government at the various ports of entry, I believe here, New York, and New Orleans. The panel is available to the Government and the men that do the cupping have no connection with the coffee that is being tested. In other words, if Mr. Granicher, who is a green-coffee man, had a lot going to the Government, he would not be asked to grade it. You do not grade your own coffee; someone else does that.

Mr. GRANICHER. I believe all of this is on file with the committee in the letter which Mr. Aborn addressed to the counsel and I think it might be repetitious, if we went over the method, because I believe it was described in detail.

Mrs. HARDEN. Pardon me, but we have many things that are repetitious in the record.

Mr. GRANICHER. I just mentioned this for the sake of saving time, perhaps, and also if two people cover the same thing, there may be some small discrepancy in detail. This was very well documented and I think it would be better if you want to clarify it in Mr. Aborn's letter, if it were read at this time. (See San Francisco Exhibit 2B, p. 509.)

Mr. FOLGER. This is the paragraph covering the question:

Each time a lot of coffee is tendered for delivery, the contractor sends a sampling order to the association. Samples are then drawn by licensed expert samplers, acting for the National Coffee Association. Each lot of coffee is passed upon by a panel of three men, who are selected for this test by the regional member of the advisory committee. Each of the three men chosen is an outstanding expert in judging the quality of the particular growth which is to be inspected and tested. These men inspect and grade the coffees in the green bean and determine its exact grade and other characteristics, such as size of bean, color and solidity of bean. Samples are then roasted in our sample roaster and the beans are inspected for their roasting quality. The roasted beans are then ground and tested for cup quality. All coffees which do not conform fully to the United States Army contract specifications are rejected and the supplier is obliged to furnish other coffees which are suitable. This procedure definitely insures that no coffees of substandard quality are received at the military roasting plants. No grader or classifier ever serves on any test in which he, or his company, is either directly or indirectly interested in the coffee to be passed upon.

Either the United States Army or the contractor has the right to appeal the decision of the graders and classifiers. All such appeals must be submitted in writing to the regional representative of the United States Army Coffee Advisory Committee, setting forth in detail the specific point, or points, on which the appeal is based. Three other graders and classifiers are then selected and the points in dispute are submitted to the appeal graders and classifiers.

This inspection and appeal system not only guarantees that the Army will at all times receive coffees which fully conform to the contract specifications but it also guarantees eminently fair treatment to all suppliers. The fact that all suppliers know that their competitive bidders will not under any circum-

stances be allowed to deliver coffees which are poorer than the contract specifications has unquestionably resulted in more extensive bidding on the United States military requirements than would otherwise have been the case.

Mrs. HARDEN. Thank you. You have also answered the next question that I had, which was who determines the quality of the blend for the military and you have answered that.

Mr. GRANICHER. Yes, ma'am, that is in there.

Mrs. HARDEN. Because I understood that the blend for the military was not as high as the top quality for commercial use; is that correct?

Mr. GRANICHER. That is my personal opinion.

Mrs. HARDEN. I feel that the blend for the military should be the very best, that is, a top-quality blend.

Mr. GRANICHER. I think what Mr. Bransten meant to say a while ago was that they buy so much, and if the quality is too high, they cannot get the supplies; is that correct? That is why they are heavy on Santos, because there is more Brazilian coffee than any other type in the world. Santos and Brazilian are the same thing.

MILITARY SHOULD GO OUT OF BUSINESS

Mr. WARD. I would like to ask a couple of questions. In view of your statement, Mr. Folger, would you recommend that the military replace their manufacturing facilities as they need replacing?

Mr. FOLGER. In other words, if the equipment at Oakland wears out, should they replace it?

Mr. WARD. Or, would you recommend that they phase out of business?

Mr. FOLGER. You are asking me my personal opinion?

Mr. WARD. Yes.

Mr. FOLGER. I think they ought to get out of business when they can do so. I think that applies to many other phases of our economy, too.

Mr. WARD. Commercial-type activities?

Mr. FOLGER. Yes, sir. I do not say you can all of a sudden turn the key and throw it in the estuary over there. You have to work it out.

Mr. WARD. As it wears out and needs replacing?

Mr. FOLGER. If anyone disagrees with me, let me hear it [indicating other coffee-plant representatives].

Mr. CURTIS. Let us get any disagreement on that if there is any.

(There was none.)

Mr. WARD. After coffee is roasted in the case of the whole bean, in what period of time should it be used before it deteriorates enough that it would be noticeable?

Mr. FOLGER. Are you referring specifically to military coffee?

Mr. WARD. I am speaking about the Navy system in the past where they have roasted and put it in laminated-type bags—should that coffee be used in a few days?

Mr. FOLGER. This is again a question of opinion. Is this whole bean or whole ground coffee?

Mr. WARD. Whole bean.

ROASTED GROUND COFFEE FIRST-CLASS IF USED IN 10 DAYS

Mr. FOLGER. It goes about 10 days, isn't that about right, after being exposed to air?

Mr. WARD. If they roasted it and packed it in bags and used it within 10 days, it would still be first-class coffee?

Mr. FOLGER. Yes, sir; first-class coffee.

NEED FOR VACUUM PACKED QUESTIONED

Mr. WARD. Would it not be better to do that in places in the continental United States, or elsewhere where it can be used in 10 days, rather than paying from 2¼ to 2½ cents more to put it in vacuum cans?

Mr. FOLGER. It takes an awfully good inventory control system to do that.

Mr. WARD. Yes; but it would cost a couple of million dollars a year or more to carry out that recommendation of putting it in vacuum cans.

Mr. FOLGER. I do not think so. I think you have more waste—Carl, your company has been experimenting with that.

WHOLE ROASTED COFFEE FIRST-CLASS FOR 3 WEEKS

Mr. COREY. I think we allow coffee to remain in the field about 10 days—that is, ground—and as far as whole-bean coffee is concerned, my own personal opinion is, I think you could stretch it to 3 weeks.

Mr. WARD. Would you recommend that they do that and get it out within the 10 days to 3 weeks, rather than vacuum packing it?

Mr. COREY. It is a standard practice for a lot of commercial companies in the United States where proper distributing and stock-control systems are in effect.

Mr. WARD. Those would be the limitations on doing that?

Mr. COREY. You have got to get the coffee there and use it so you will not run into poor coffee.

GOOD INVENTORY CONTROL NEEDED

Mr. WARD. Where they have a big camp with hundreds or thousands of boys, there isn't much question of using it up if they handle it under proper inventory control?

Mr. COREY. Yes, sir.

COFFEE WASTED DURING WAR

Mr. FOLGER. I was stationed at Santa Barbara Air Station for a few months during the war and that was about as close as you could get to their plant and they shipped the coffee down there in burlap bags and that stuff would be around there for a couple of months and it was just a waste of money.

I would like to state that is my position in the matter.

NON-VACUUM COFFEE SHOULD NOT BE SENT OVERSEAS

Mr. BRANSTEN. I would like to add something to this question.

The question was raised about comparing civilian top quality with the Government-issue coffee. It is true that vacuum packing costs

a little more, but if quality is a consideration and if the subcommittee considers that a man in the service has a right to quality, as well as the civilian, my personal opinion is that the vacuum packing of coffee is of paramount importance even if it is 2 or 3 weeks old. In my humble opinion you could destroy whatever care you gave to that quality—it would not make much difference what quality you used if it were put in a bag and I think it is going to take extremely careful inventory control. In fact, I would say it was almost impracticable from my observation for that coffee to be consumed in the length of time that is recommended here. Certainly, even if it were conceded for continental United States, I personally do not think any coffee should ever go overseas, where the likelihood of turn-over is so much iess, that is not vacuum packed.

Mr. WARD. Thank you. That is the reason the question is confined strictly to the continental United States where the transportation facilities are such as they are.

NEED FOR INVENTORY CONTROL

Mr. COREY. Of course, the primary basis on this usage of coffee within 10 days or so is to get it roasted, packed, and shipped in 1 day. In other words, if you were going to roast it and pack it for 10 days before shipping and put it in transit for another 10 days, you have lost the whole system; that is the whole thing, and another factor is the inventory control.

Mr. CURTIS. If, for example, the military were utilizing the civilian coffee industry that they would have access to here in the San Francisco area—someone right there to supply it—and I think the same thing is true practically wherever you go in the United States, your distributive system is set up where they could get whatever savings could be derived from buying the coffee without it being vacuum packed. I think that is a fair statement, is it not?

I am as much concerned about the distributive system which you people have already set up in the zone of interior and the Armed Forces have to duplicate it because they only have about six or seven or eight coffee-roasting plants in the country, which brings about a transportation problem. Maybe I should ask this question: Do the individual companies have a similar transportation problem, or do you more or less confine yours to the markets immediately available to you?

INDUSTRY AND MILITARY TRANSPORTATION PROBLEM SIMILAR

Mr. FOLGER. I think we have the same transportation problem. In other words, we have to ship coffee from here to Seattle or Los Angeles. We use common carriers for those long hauls. It is not too difficult a problem.

Mr. CURTIS. Of course, I am thinking of the over-all picture. You see, we are interested in the problem of economics here. Say, the Navy has three roasting plants and the Army maybe two, if we combined those, they would only have five in the country. I do not know how many coffee-roasting plants the industry has in the United States—1,200 and something, I believe it is—and I imagine the coffee industry pretty well utilizes their supplies or the manufactured prod-

uct from one particular roasting plant which would be sold to a large extent in the immediate vicinity of that plant, rather than by any long hauling?

Mr. FOLGER. That is correct; theoretically that is correct.

Mr. CURTIS. The theory, then, would be actually if you utilized the system already set up in the United States, commercially, for the zone of interior to supply our military forces, it ought to save considerably on transportation and distribution costs. That is the over-all picture, which of course no one person in your industry would know that answer, but someone who is cognizant of the whole problem would be able to compare what industry could do in regard to what the military would be able to do with their limitations, speaking only now of the zone of interior.

Mr. FOLGER. Possibly so.

ADEQUATE PROCUREMENT SYSTEM FOR COFFEE

Mr. WARD. I wanted to follow through a bit on what would happen then if the Government plants were phased out; they would be forced to get suitable distribution from the facilities of industry. That is, something like the system the Veterans' Administration uses. They have a contract calling for delivery within 48 hours after the coffee is roasted with delivery direct to their veterans hospitals and they are entirely satisfied with that system. There are some doubts in the subcommittee's mind whether the Veterans' Administration is getting exactly what it is paying for, because it is very difficult to inspect the roasted coffee. Do you have any suggestions on how that should be done or could be done, Mr. Folger?

Mr. FOLGER. Any reputable company, or any successful company would be responsible for their own quality control.

SCREENING SUPPLIES

Mr. WARD. How would you screen those companies?

Mr. FOLGER. With the industry; as a whole the industry is a very reputable industry.

Mr. WARD. It is our understanding that efforts are made from time to time by irresponsible contractors to deliver cheap coffees and coffees that have a lot of impurities and dirt and one thing and another? Would you debar anyone who was guilty of that? How would you go about doing that?

Mr. FOLGER. I certainly would recommend that anyone that supplied subcontract coffee should be debarred from future bidding. It would not take very long to show up. If you process a bid lot of coffee, it will show up, provided you have expert people to cup the coffee as soon as it comes out. I do not think it would be too much of a problem to check the coffee when it is produced any more than the green grade.

POSSIBLE PROCUREMENT SYSTEM FOR GOVERNMENT TO USE

Mr. WARD. Would you, or your group, be so kind as to outline the system or steps you think could be employed to guarantee that the Government gets what it specifies with proper inspection of the product?

Mr. FOLGER. As a horseback opinion, I suppose first of all, the green coffee would be approved as it is now and the processor would process it.

Mr. WARD. You would have the Government buy its own bean?

Mr. FOLGER. That is the recommendation—you are getting a little ahead of ourselves here—the national association recommended a status quo as it is.

Mr. WARD. But there are a number of agencies besides the military—Veterans' Administration buys 5 million pounds a year, the Public Health Service and the Indian Service buy some and GSA buys about a million pounds annually.

Mr. FOLGER. I do not think those services check; they just assume the coffee is good. If it shows up bad in the field, they make a complaint. There is no actual checking at the plant; is that correct, Carl? You didn't have a Government man there checking too?

Mr. COREY. We used green coffee procured by the United States Government, and once in a while we were visited by a Government inspector, Mr. Fred Lauterwasser, and he would cup the coffee and verify roast control, and so forth; the color of the roast and grind was set up to conform with national standards and there wasn't too much done to follow through on quality of domestic pack in the field warehouses relative to staleness of the roast and ground coffee in 50-pound bags.

Mr. FOLGER. You could set it up if they wanted to without any great expense. The Government now has coffee experts in the plants they have now. They could use those same experts for double-checking the coffee. If they went to a certain area and let a contract, they could send a man to that area, but bad coffee will show up fast enough; if you put it out inferior to what it is supposed to be, you will get plenty of complaints.

Mr. ROBACK. May I ask, Mr. Chairman, whether the representatives of the coffee industry here subscribe to Mr. Aborn's position on the question of inspection and quality control. Mr. Aborn's communication to the subcommittee is to the effect that if the services were to buy coffee by competitive bidding, it would not be feasible to set up a quality control inspection and, therefore, makes a recommendation, and I quote:

> We believe that the present procedure of buying the coffees in the green bean and having them blended, roasted, ground and packaged in the plants of the United States Army and Navy is by far the soundest policy from the standpoint of at all times insuring a uniform standard of quality in the blend.

There has been some testimony here, and I want the record to be cleared up, on the point that there would be preference that the services would withdraw from the coffee-roasting activities, and that is in conflict with the statement of the National Coffee Association.

Mr. FOLGER. That is true, but we got on this other subject when the chairman asked me what I thought about the question of the Government eventually getting out of not only the coffee business, but other businesses. We do subscribe to Mr. Aborn's letter that the present system is generally sound, but we want to go further and say we do not wish to see the facilities of the Government to roast coffee expanded.

Mr. CURTIS. And renewed?

Mr. FOLGER. Yes, sir.

Mr. ROBACK. What about withdrawing?

(No answer.)

Mr. WARD. What is the Government going to do in the way of assuring that it gets what it needs when it needs it?

Mr. FOLGER. In case of a national emergency?

Mr. WARD. No, I mean if the military should phase out their plants, then what kind of a system would be practicable?

Mr. FOLGER. I think more expert men than I would have to figure it out, but it does not seem to me that it would be too difficult for the industry to bid on it and supply it.

VETERANS' ADMINISTRATION SYSTEM

Mr. CURTIS. Let me read from a letter from the Veterans' Administration and get your comments on what they do to see if you think this would be adequate:

> Prior to release of each month's delivery, a sample of the green coffee is taken from contractor's roasting plant and is tested before shipments can be released. Upon receipt of coffee, samples are then taken from each contractor's delivery at various Veterans' Administration hospitals throughout the United States. And additional samples are taken at any time a receiving installation feels that coffee delivered does not meet specifications. In every instance, samples are taken prior to shipment and after delivery to ascertain if coffee delivered meets bid samples.

Do you think that should be adequate?

Mr. FOLGER. I think that would be entirely adequate. Take, for example, any roaster when he buys his green coffee, he has to check to see that he is getting what he contracted to buy and when we buy coffee on contract, we do not just blindly take it into the house; it is checked about four times before it even hits your loading docks. It is checked by the broker and the buyer. It is the same problem you have there.

Mr. CURTIS. That is what we are trying to do, figure out the best system.

I would like to make one other comment, if I might. In view of those of you who had experience during the war, there is only one thing that we must insist upon, and obviously so, and that is the military needs in the event of war or emergency be filled first. If the military were phased out of this operation, we would then impose the burden on the industry, of course, of supplying the military ahead of everyone else, but we have had those priority systems in the past.

Mr. FOLGER. Yes, sir; that is common practice.

Mr. CURTIS. That should be no problem, should it?

Mr. FOLGER. I should not think so. Just as the other things the military buys, they get first whack at it.

Mr. CURTIS. I just wanted to add that, because that is the reason some of the military who are responsible for the military operation say is one of the reasons they need to be in these commercial-type enterprises.

NATIONAL COFFEE ASSOCIATION'S RECOMMENDATIONS CONTRADICTORY

Mr. FOLGER. I think, as Mr. Aborn said in his letter, the industry would be ready, able, and willing to take care of this problem.

Mr. WARD. But he contradicts it a little bit in his paragraph——

Mr. FOLGER (interposing). Yes, sir; it is a little ambiguous.

Mr. ROBACK. I submit the record is also ambiguous. It is hard to understand whether the gentlemen here subscribe to the statement that Mr. Aborn made, quoting, "It would be difficult to establish a satisfactory inspection system whereby all deliveries of roasted coffees could be properly tested." He is referring to the situation where these coffees would be procured on a competitive bid basis from commercial sources. Do you subscribe to that statement?

Mr. FOLGER. I think—contradict me if I am misquoting—but the opinion of this group here is that the present method of buying the green coffee is satisfactory, but they do not want to see the plant facilities expanded, and I think in the distant future they would like to see the services out of the business.

Mr. CURTIS. Mr. Folger, is this your understanding: This present procedure of buying the green bean is all right; is that your interpretation?

Mr. FOLGER. That is my personal interpretation of what the group thinks.

DIFFICULTY IN QUALITY CONTROL

Mr. GRANICHER. I would like to clear up one point, and that is the gentleman here read from the Veterans' Administration requirements about taking samples—those samples are roasted coffee and roasted coffee deteriorates very quickly, as we have established here. You could have coffee that absolutely met the requirements rigidly in every respect, purchased by the Government and sent out to the various stations, hospitals, camps, and so forth, throughout the country and if samples were drawn and sent to qualified experts, the coffee by that time is 2 to 3 weeks or a month old and it is stale. The quality of that coffee has deteriorated to such an extent that it is poor, but it is no reflection whatever on the supplier of that coffee originally. It has lost its value because of the fact it was not consumed within the proper time after it was roasted. Consequently, and I think everyone in the coffee industry here will agree with me, the only way you can adequately test coffee—I mean generally speaking—for the quantity involved, the only way you can test it is in the green bean and the present system in the Government procurement of coffee has worked out exceptionally well. I think everyone in the coffee industry in the United States will agree to that. It has worked out very well.

Mr. CURTIS. While you are testifying, I refer you to the Veterans' Administration, specification HHH–C–571, which states:

> The coffee shall be shipped within 48 hours from time of roasting and each container shall be tagged or otherwise marked to show date of roast and deliveries may be made at hospitals within 5 days from time of roasting.

Now, if that were followed and coupled with this other procedure, that would be all right; would it not?

Mr. GRANICHER. Could I also state that those specifications that you are reading have just been inaugurated within the last 6 months or so; that the method by which the Veterans' Administration purchased and used coffee over the years was found unsatisfactory and it has altered them? These particular specifications that you read have not had the benefit of any experience or use at all. I cannot say how they will work out; but just to repeat, the method which the services are

using in procuring green coffee at the present time and the quality control of the deliveries has been excellent and I am sure everyone in the industry will agree to that.

SUGGESTED METHOD

Now, that is one phase of it. The next phase is the question of roasting it, packing it, and delivering it to the various stations. This is just my own personal opinion, arising as we are discussing it—how would it be if the Government continued to purchase green coffee and had it tested, as done at the present time, and then set up 20 or 25 or the number of zones required in the United States, and had it roasted at nearby plants where it was going to be used, by a commercial roaster on a bid basis for possibly 6 months or a year or whatever was found suitable? The Government could ship the green coffee to these particular stations and draw from it so that it would never be more than a day or two away from the roasting plant. In other words, the procurement of green coffee would continue as it is at present, likewise the quality control, which has worked out so very, very well, and then the Government would still handle that green coffee, ship it to various destinations throughout the United States and then the coffee would be roasted under contract and shipped out to nearby camps, hospitals, stations, and so forth.

Mr. CURTIS. I appreciate your suggestion; that is what we are interested in.

NEED FOR GOVERNMENT INSPECTORS

Mr. WARD. In that case they would need to have inspectors at each plant; wouldn't they?

Mr. GRANICHER. They would be roasting their own coffee. They would have to determine themselves where their own coffee was roasted. I think the Army's experience in that respect has been very highly successful, and from then on there is no further inspection needed, because the coffee has been purchased by the Government and has been inspected and determined to meet the quality specifications, following which it would go to the various parts of the United States and be held there until required. It could be held for a week, 6 months, 8 months, or whatever time required and then it could be roasted and packed in these laminated bags or a vacuum can or any other manner found acceptable. It seems to me that this time lag we speak of where this coffee gets stale could be very greatly reduced and you would meet all the requirements necessary. You would have your quality control and use of the roasting facilities throughout the United States and the assurance that the ultimate consumer of that coffee is going to get as good a cup of coffee as is possible to obtain under these circumstances.

Mr. CURTIS. Thank you. Mr. Ward has some figures on the price that the Veterans' Administration has been paying under these new specifications. Could you read that in the record?

VETERANS' ADMINISTRATION PRICES F. O. B. HOSPITAL COMPARED WITH MILITARY

Mr. WARD. We were interested in this method, because this is a f. o. b. hospital price of 64.1 cents—that is in the eastern part of the

United States and I will supply the other for this area—but those prices delivered seem to be considerably cheaper than the military prices and it is for a higher grade coffee. This is 60 percent Colombian and 40 percent Santos, which makes one wonder if the military way of buying the bean is as good as it might be.

GOVERNMENT DOES A GOOD JOB OF BUYING

Mr. GRANICHER. I am in a position to reply to that question.

I am in the green importing business and we are selling every day to these gentlemen who are here with us today representing their various firms. They are all a pretty tough bunch of buyers. They buy competitively and green coffee is like any raw commodity in that alterations occur to market prices here and all over the world, hourly and daily, and we importers have got to be on our toes to sell any of these large firms who are represented by these gentlemen today. Therefore, on the face of it any of these high-grade coffees that we sell are absolutely on the market. The price you have quoted at which the Veterans' Administration purchased coffee makes a determination, the result of which you can figure for yourself. There are certain facts which are self-evident. The coffee business is highly competitive, and the success of these roasting firms, doing a broad national and sectional business, indicates they are obtaining their green-coffee supplies at advantageous prices. At any time, a comparison between the Government and private buying reveals the favorable price base to the Government. Since 1942, the Government procurement and inspection program has been highly successful. As a citizen and knowing what I do about coffee, I can only hope that the Government procurement of other materials and supplies is equally economical and advantageous to the Government.

GOVERNMENT SOLD COFFEE BACK TO INDUSTRY

I also want to say that after 1946 when the Government had surplus coffee on hand, which, incidentally, brings up another point; some of it was a year or a year and half old and they sold that coffee back into the industry very successfully. They paid 13, 14, and 15 cents for the coffee and they sold it back to the industry at 24, 25, and 26 cents. I do not know of any other surplus material that the Government was able to sell at such a profit—practically 75 or 80 percent profit. The other point I want to make is some of that coffee was considerably over a year old and it was absorbed by the industry.

Mr. WARD. Would you say then that the quality and quantity, taking into consideration the price that the military pays for coffee, is comparable to industry?

Mr. GRANICHER. Very much so. As a matter of fact, when these bids come out, frequently for green coffee, the results are watched with interest and very often comment in the trade is how can these suppliers sell the coffee to the Government at the prices that they do? Sometimes it is caused because the Government does not want to take delivery of the coffee before several months and the contractors hope that after they have put their low price in, they will be able to cover their commitments profitably. Sometimes they are not able to do it, but I would unquestionably state that over a period of time

the Government has bought its coffee pricewise to very good advantage.

Mr. WARD. Thank you very much; that is all I wanted to ask.

Mr. BONNER. I want the record to show that the committee is delighted to have Mr. Havenner, Congressman from California, an able Representative in the House, present with us today.

I want to thank you gentlemen for meeting with us here and for the contributions you have made to our efforts.

This subject is just one of the thousands of subjects that confront the Government with respect to procurement and the manner of procurement, and we have simply picked this one out as a test, you might say, to see how to work with it. There are others just as complicated and just as involved and perplexing with respect to Government going into commercial activities.

Mr. WILSON. Mr. Chairman, before you close, could I add one thought?

Mr. BONNER. Go right ahead, Mr. Wilson.

Mr. WILSON. To amplify some questions asked a while ago about the distributive system that we have, I think we might say that the distribution system of the coffee companies in San Francisco, who have distribution avenues into the intermountain States and into the Middle West, is based on vacuum packing and not on bulk packing in bags. I do not believe there is any great amount of industry capacity available between the Pacific coast, notably San Francisco, between here and Kansas City and Omaha and jumping from there over to St. Louis and Chicago and then clear on across to the east coast and to the South depending on civilian industry to fill the gap, which we have done when it has been necessary rather than going after it in normal times, that fact should have some bearing in relation to your quality study and your consideration of vacuum packing.

INDUSTRY HAS NOT COMPLAINED

Mr. KENNEDY. I should like to ask a question, Mr. Chairman, of the independent representatives here. Have any of the Pacific coast coffee producers and importers ever contacted the Army or Navy Departments to see if they might be able to get a contract at least for their marginal production within the last 3 years, and also, the second part of the question would be, have they ever made through correspondence any complaint with regard to the fact that the military services were engaged in or expanding their coffee roasting business?

Mr. FOLGER. I believe the answer is "No" to both of those questions.

Mr. WILSON. I can only answer for our company. We have not solicited Government business, but as Standard Brands did during the war (but not in the case of the Navy, because they had their own facilities), we roasted several million pounds of Government-owned coffee and we packed for them, both in 50-pound bags and 20-pound vacuum cans. They asked us to help them, and we did.

Mr. FOLGER. I can answer this as far as our own company is concerned, when we do get bids mailed to us by the Veterans' Administration, or whoever it is, we bid on the invitation, but I do not know that we ever get any.

Mr. KENNEDY. Would it not be fair to say for the record, then, in view of the answer "No" to both of those queries, that the industry has

not solicited any contracts from the military services in coffee and they have made no complaints to the departments concerning their activities in the coffee-roasting field?

Mr. FOLGER. It could well be the reason that they have not done it is the reason they know they would not get any place with that. I do not believe any one person could answer that question for the industry; some individual companies might have written to the Army or Navy.

Mr. KENNEDY. I was only asking as to the representatives present.

NO POINT IN BIDDING AGAINST GOVERNMENT COMPETITION

Mr. FOLGER. When you stop to think that we are here in San Francisco and we know there is a plant out at Alameda cranking out coffee, we are not going to waste our breath trying to bid on it.

Mr. KENNEDY. Did you ever complain?

Mr. FOLGER. Well, we have so many other things to complain about, I guess not.

Mr. KENNEDY. The time to complain at least was when you note facilities being expanded. That is very true especially when an industry professes interest in making available its marginal capacity only.

Mr. BONNER. Mr. Wilson, how many plants does your company have?

Mr. WILSON. Two; one in San Francisco and one in New Jersey.

Mr. BONNER. How many plants does Standard Brands have?

Mr. COREY. We have one at San Francisco, Dallas, Birmingham, Hoboken, and Chicago at the present time.

GOVERNMENT SHOULD BE CAREFUL ABOUT ABANDONING PLANTS

Mr. BRANSTEN. I would like to add one thing more. I was going to say this: There were two points brought up here together. One, the expansion of existing Government facilities and then also it was mentioned, the abandonment of present Government facilities. I want to just comment on that with regard to this and that is the Navy and the Army have assets in roasting facilities right now which are not difficult to maintain. Before they were abandoned, or if any consideration was being given to abandoning them, I should think it would be prudent on the part of the Government to survey civilian roasting facilities. I do not think it would be very difficult to make such a survey and I think it would be valuable knowledge for the Government to have right now in the case of a future emergency.

Mr. BONNER. Thank you, sir.

Mr. BONNER. Mr. Havenner, do you have any questions you would like to ask?

Mr. HAVENNER. Thank you very much, Mr. Chairman. I do not at this time.

Mr. BONNER. That concludes the hearings.

(Thereupon, the subcommittee adjourned at 4:30 p. m.)

(San Francisco Exhibits 1–4 follow:)

SAN FRANCISCO EXHIBIT 1

[COMMITTEE PRINT]

BRIEFINGS ON SUPPLY RELATIONSHIPS BETWEEN GSA AND THE DEPARTMENT OF DEFENSE

Friday, August 8, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
Washington, D. C.

The subcommittee staff met at 10:30 a. m., in room 1015, New House Office Building, pursuant to notice by Thomas A. Kennedy, general counsel.

Present. Thomas A. Kennedy, general counsel; Ray Ward, staff member; Herbert Rotback, staff member.

Also present: Nathan Brodsky, Assistant Vice Chairman, Munitions Board, OSD; Commander Carl A. Raymond, Jr., Munitions Board, OSD; Russell Forbes, Deputy Administrator, GSA; J. Hervey Macomber, Jr., associate general counsel, GSA; Robert T. Daly, Assistant Director, P. and S. Division, Federal Supply Service; Lt. Col. Thomas L. McKnight, Munitions Board, OSD; R. T. Davis, Director of Legislative and Liaison Division, General Counsel's Office, GSA.

Mr. KENNEDY. The purpose of this conference is to obtain briefings for the subcommittee members with regard to the handling of common administrative items by GSA in California and the proposed test which is being studied and initiated.

It was felt by Mr. Forbes and Admiral Ring that the vast amount of information that would be forthcoming on this subject would be better served in Washington than in the field. For the convenience of the members and the record we are presented the spokesmen of these agencies this morning.

I think it would be well to call on Ray Ward first for a little background. He has had experience in this field, and we may as well start off with a member of the subcommittee staff.

Mr. WARD. We want to make a little background material for the members, so I thought I would review the history of the legislation and action taken to date very briefly. I can give the reporter the documents in order to make the briefings complete.

In the development of Public Law 152 in title II, section 201, on property management there was quite a struggle to find out how the civilian agencies would work with the military agencies in the common fields. There were dozens of revisions of that language trying to come to an understanding between the GSA and the military. We tried to split on the basis of technical supplies versus common items. Technical military supplies to be handled by the military. Some thought the term "combatant supplies" would be better. Then we tried to use tactical and military supplies, and other variations. But there is no fixed definition. There is no fixed definition within which you can stay because conditions change.

So finally a proviso was put in section 201 (a), and I am going to insert section 201 (a) entirely and read the proviso:

"*Provided*, That the Secretary of Defense may from time to time, and unless the President shall otherwise direct, exempt the National Military Establishment from action taken or which may be taken by the Administrator under clauses (1), (2), (3), and (4) above whenever he determines such exemption to be in the best interests of the national security."

When the President signed the act, Public Law 152, he sent a letter dated July 1, 1949, to the Secretary of Defense, the Administrator of GSA, and to the Director of the Bureau of the Budget, directing those agencies to get together and to try to work out diligently and amicably the relationships between them in this common field. That letter formed the basis for what is now known as the area of understanding program.

[1] Name changed to Committee on Government Operations July 4, 1952.

Pursuant to that, the three parties involved issued a statement which was signed by Secretary Johnson, Administrator Larson, and Director of the Budget Bureau, Frank Pace, a general policy statement. I am sure you are familiar with it. I will give a copy to the reporter so it will be in the record. That laid down the general plan of action to implement this section.

(Sec. 201–A, title II, Public Law 152, and the general policy statement referred to are as follows:)

"TITLE II—PROPERTY MANAGEMENT

"PROCUREMENT, WAREHOUSING, AND RELATED ACTIVITIES

"SEC. 201 (a) The Administrator shall, in respect of executive agencies, and to the extent that he determines that so doing is advantageous to the Government in terms of economy, efficiency, or service, and with due regard to the program activities of the agencies concerned.

"(1) prescribe policies and methods of procurement and supply of personal property and nonpersonal services, including related functions such as contracting, inspection, storage, issue, property identification and classification, transportation and traffic management, management of public utility services, and repairing and converting; and

"(2) operate, and, after consultation with the executive agencies affected, consolidate, take over, or arrange for the operation by any executive agency of warehouses, supply centers, repair shops, fuel yards, and other similar facilities; and

"(3) procure and supply personal property and nonpersonal services for the use of executive agencies in the proper discharge of their responsibilities, and perform functions related to procurement and supply such as those mentioned above in subparagraph (1): *Provided*, That contracts for public utility services may be made for periods not exceeding ten years; and

"(4) with respect to transportation and other public utility services for the use of executive agencies, represent such agencies in negotiations with carriers and other public utilities and in proceedings involving carriers or other public utilities before Federal and State regulatory bodies;

Provided, That the Secretary of Defense may from time to time, und unless the President shall otherwise direct, exempt the National Military Establishment from action taken or which may be taken by the Administrator under clauses (1), (2), (3), and (4) above whenever he determines such exemption to be in the best interests of national security."

"GENERAL POLICY STATEMENT ON DEVELOPMENT OF AREAS OF UNDERSTANDING BETWEEN GENERAL SERVICES ADMINISTRATION AND DEPARTMENT OF DEFENSE PURSUANT TO PUBLIC LAW 152, EIGHTY-FIRST CONGRESS

"The President's memorandum of July 1, 1949, to the Secretary of Defense, Administrator of General Services, and the Director of the Bureau of the Budget, directed that areas of understanding be developed between the General Services Administration and the Department of Defense with respect to the application of the Federal Property and Administrative Services Act of 1949 (Public Law 152, 81st Cong.). Considerable progress has been made in certain areas. Completion of the task will be expedited by acceptance of basic principles.

"It is a necessary part of our national defense to keep appropriations within bounds. Our economy requires it, the President and the Congress rightfully expect it consistent with the fulfillment of primary missions. The preservation of our nonrenewable resources from unnecessary exploitation in our time will mean that future generations may also have the substance of defense.

"Modern war is total war involving all agencies and segments of our economy—farmers, factory workers, professional groups, as well as the traditional military forces. Within the Government, many, if not all, civilian agencies have wartime functions, and a careful planning and providing for their needs is essential to a consideration of the whole problem.

"The accomplishment of this task requires detailed examination of many areas of effort and assignment of tasks to both military and nonmilitary agencies. While it is recognized that the great bulk of military procurement in both peacetime and wartime will continue to be handled by the military departments themselves, nevertheless there are certain procurement areas and other areas of effort, such as certain parts of surplus property disposal, real property management, traffic management, etc., where it will be important during peace and war for the

military departments to continue to depend upon the General Services Administration. Because effective military supply planning covers both current peacetime operations and wartime functions, it appears essential that if sound planning is to be done the military departments must have assurance that the General Services Administration will continue in existence in wartime and will be protected against undue inroads by selective service. To develop areas of understanding for peacetime use only would greatly complicate the problem.

"In a war economy, especially, each item should be considered as being a scarce item. Transportation, storage, manpower, and other scarce components are involved in producing items which may be fabricated from abundant basic materials. We are a 'have not' nation with respect to some materials and are fast reaching that status with respect to some once-abundant materials.

"All agency requirements in peace and in war should be coordinated so as to constitute a minimum impact upon the Nation's economy.

"The military and nonmilitary supply systems must be coordinated at both the policy and operation levels so that the constituent agencies will not compete against each other for their requirements thus creating artificial scarcities and inflationary prices. This objective can best be attained by considering all phases of Federal Government supply as a part of an over-all supply management concept, rather than by isolating the segments and making each the object of special administrative or statutory attention. To accomplish this end there will be required wholehearted cooperation between the military and the civilian agencies.

"Every effort will be made by the undersigned to expedite the development of areas of understanding within the framework of the above policies.

"LOUIS JOHNSON,
"*Secretary of Defense.*

"January 12, 1950.

"JESS LARSEN,
"*Administrator, General Services.*

"January 11, 1950.

"FRANK PACE, JR.,
"*Director, Bureau of the Budget.*"

"January 10, 1950."

Mr. WARD. The area of understanding committee laid out a list of things to be done, and I would suggest that Mr. Forbes can supply that better than I can when I get through. It included such common functions as cataloging, traffic management, and all the common supply functions that go across the board in both civilian and military agencies.

When the Bonner subcommittee first began studying Federal supply management in the Atlanta and in the New York regions, they raised questions as to why the military services weren't using GSA to a greater extent. There were two standard answers that came out; one, the GSA was in no position to furnish requirements and, secondly, that the military could buy more cheaply. Upon being asked if they were giving their requirements to GSA so GSA could be prepared, the answer was "No."

The committee realized, of course, the GSA didn't have the warehouses, the revolving funds, and the facilities to do a complete job, and the matter would have to be pursued step by step. The first report of the committee, No. 658, had a specific recommendation about greater utilization of GSA's facilities. The recommendations in that report then formed the basis for hearings with Secretary Lovett and Secretary Alexander and Secretary Gilpatric and Director Small and others.

Secretary Lovett endorsed the idea, and in his directive of July 17, 1951, which occurs on page 6 in this booklet on Federal Supply Management, put in section 5 (d), which says that "the Munitions Board, in conjunction with the Military Department, shall immediately initiate the actions required to insure that (1) common administrative supplies and equipment are purchased by the GSA to the maximum extent practicable; (2) requirements for such items are accurately determined and furnished to the GSA sufficiently in advance to permit that agency to do planned and intelligent buying and stocking."

The other witnesses for the military commented on that and were, of course, in agreement with the policies of the Secretary of Defense.

It was found by the members of the area committee that it is very difficult to get some of these actions completed because of bottlenecks, mostly, I would say, in the Department of Defense, because the Chairman of the Board hasn't the authority to make them effective—couldn't push them through.

I am sure that Admiral Ring has been in agreement with the objectives of the program but has been up against an impossible situation.

We are hopeful in the committee that the new Munitions Board charter of July 29, 1952, gives the Chairman the power of decision on matters coming within the purview of the Board and which also enlarges its scope of responsibilities and will enable a lot of bottlenecks to be broken so there will be much greater progress in this entire program in the future.

One of the phases of the program that came up was in connection with the use of GSA's facilities in the west-coast region, and the group was aware of the fact that GSA was obtaining a new depot of considerable size in the San Francisco area. That would be a good place to make a test case, something like the medical test that is also going on at Alameda.

That is about where we are, Mr. Kennedy. These are the people who have been working for weeks and months trying to implement what seems to be a very simple thing, but it is in reality a very complex thing when you really get into the innards of it and start to work.

That is all I have to say.

If Mr. Forbes would give a list of those projects, I think it would be helpful to have them in the record.

(The letter dated July 1, 1949, issued by President Truman, above referred to, is as follows:)

THE WHITE HOUSE,
Washington, July 1, 1949

To: The Director of the Bureau of the Budget.
The Secretary of Defense.
The Administrator of General Services.

By virtue of the authority vested in me by section 205 (a) of the act entitled ": An act to simplify the procurement, utilization, and disposal of Government property, to reorganize certain agencies of the Government, and for other purposes," approved June 30, 1949 (the Federal Property and Administrative Services Act of 1949), it is hereby directed that—

1. Pending determinations made in the course of the studies hereinafter directed to be instituted, the several departments and agencies constituting the National Military Establishment shall continue to procure through the Administrator of General Services such supplies, materials, equipment, and other personal property, and have performed by the Administrator such related functions of the types specified in section 201 (a) (1) of the Federal Property and Administrative Services Act of 1949 as were customarily procured or performed for the department and agencies of the National Military Establishment by the Bureau of Federal Supply prior to the taking effect of said act. Until further order of the President, the Secretary of Defense shall not, without the prior approval of the President, issue any order or directive exempting the National Military Establishment in accordance with the proviso in section 201 (a) of the Federal Property and Administrative Services Act of 1949, from action taken or to be taken by the Administrator of General Services under said section.

2. The Administrator of General Services, the Secretary of Defense, and the Director of the Bureau of the Budget (1) shall forthwith undertake, and diligently pursue, studies aimed at developing areas of understanding with respect to the extent to which the National Military Establishment should be exempt from the jurisdiction of the Administrator under sections 201 and 206 of the Federal Property and Administrative Services Act of 1949, and (2) shall present any appropriate recommendations to the President.

HARRY S. TRUMAN.

(Directive dated July 29, 1952, issued by the Department of Defense, re Munitions Board Charter, is as follows:)

[29 July 1952, Number 5126.5]

DEPARTMENT OF DEFENSE DIRECTIVE

Subject: Munitions Board Charter.

I. AUTHORITY AND PURPOSE

This directive is issued pursuant to the authority vested in the Secretary of Defense by the National Security Act of 1947, as amended, in order more fully

to define the authority and duties of the Munitions Board (hereinafter called the "Board"), established by Section 213 of said Act, and to define the relationships of the Board with the military departments and other agencies of the Department of Defense, and and more fully to define the authority and duties of the Chairman of the Board.

II. DIRECTIVES RESCINDED

The directive of 3 November 1949 entitled "Munitions Board Charter," as amended by the directive dated 13 September 1950, is hereby rescinded. All other directives of the Secretary of Defense addressed to or relating to the Board or its Chairman shall remain in effect until specifically modified or rescinded by the Secretary of Defense.

III. MEMBERSHIP

The Board shall be composed of a civilian Chairman, appointed by the President, who shall be the head thereof, and an Under or Assistant Secretary from each of the military departments to be designated by the Secretary of each departmnet. The Secretary of each of the military departments shall also designate an alternate who shall be an Under Secretary or an Assistant Secretary of the department, and who, in the absence of his principal, shall act in his stead with powers of his principal. The Chairman, with the approval of the Secretary of Defense, may designate a Vice Chairman, who shall, in the absence or disability of the Chairman, act for and exercise the powers of the Chairman. In the absence of the duly appointed Chairman and Vice Chairman, the Secretary of Defense will designate a Board member to act as Chairman.

IV. AUTHORITY

A. Authority of the Chairman

1. The Chairman of the Board shall be the head thereof and shall, subject to the authority of the Secretary of Defense, have the power of decision upon all matters falling within the jurisdiction of the Board. He shall be the principal advisor and assistant to the Secretary of Defense in supply management and industrial matters.

2. The Chairman of the Board is further authorized to:

a. Take action on any matters which, because of the exigencies of time, do not permit formal Board action.

b. Perform all detailed actions necessary to discharge the Board's duties.

c. Perform all duties which have been or may be assigned specifically to the Chairman individually by the Secretary of Defense.

d. Perform, without being relieved of his responsibility therefor, any of his duties through or with the aid of such members or officials of the Board as the Chairman may designate.

e. Establish, in accordance with policies prescribed by the Secretary of Defense, such continuing or temporary committees, councils, or agencies as may be necessary to conduct studies, assemble information, make recommendations, and otherwise assist in the carrying out of the responsibilities of the Board under his authority, direction, and control.

f. Issue directives in the name of the Board or in the name of the Secretary of Defense as may be appropriate.

g. Prepare, with the advice and assistance of the staff, policies, plans, and programs for presentation to the Board.

h. Represent or arrange for representation of the Department of Defense before and with other governmental departments and agencies on all matters for which the Board or the Chairman has responsibilities under the provisions of this directive.

i. Make appropriate recommendations to the Secretary of Defense for improvement in supply management and industrial matters.

B. Authority of the Board

Within its jurisdiction, as defined in the National Security Act of 1947, as amended, and as further defined in this directive, or as may be further directed by the Secretary of Defense, the Board shall be the principal agency of the Secretary of Defense responsible for performing the duties set forth in Section V below.

C. Appeal from decisions

With respect to any decision by the Chairman on a matter within the jurisdiction of the Board with which any other member does not agree, any such dissenting member may initiate, for submission by the Secretary of the department represented by the member in question, an appeal therefrom to the Secretary of Defense. Prior notification of any such action shall be given to the Chairman and other members of the Board.

V. DUTIES OF THE BOARD

Subject to the authority and direction of the Secretary of Defense, and in support of strategic and logistic plans, and in consonance with strategic and logistic guidance provided by the Joint Chiefs of Staff, the Board shall:

1. Perform those duties prescribed in Section 213 (c) of the National Security Act of 1947, as amended (subject, however, to the Secretary of Defense memorandum of April 13, 1951, addressed to the Secretaries of the military departments and others transferring to the Assistant Secretary (Manpower & Personnel) those functions of the Munitions Board which relate to manpower, industrial relations, and labor supply); the Strategic and Critical Materials Stock Piling Act (Public Law 520, 79th Congress); the National Industrial Reserve Act of 1948 (Public Law 883, 80th Congress); and any other applicable statute.

2. Establish Department of Defense policies, plans, and programs in the broad fields of production, procurement, distribution, real property, and construction.

3. Insure effective implementation of Department of Defense policies, plans, and programs established by the Board, and take all action necessary or appropriate to insure that the procedures, methods, and practices of the military departments are in compliance therewith.

4. Perform such other duties as have been or may from time to time be prescribed by law or by the Secretary of Defense.

VI. ADMINISTRATION

1. The Secretary of Defense will provide the Chairman with such personnel, facilities, and other administrative services as he from time to time determines are required by the Chairman for the performance of the Chairman's and the Board's duties. Military personnel acceptable to the Chairman of the Board shall be provided by each of the three military departments in accordance with the needs of the Chairman as approved by the Secretary of Defense. Military personnel so assigned to the Board shall, during their tours of duty with the Board, be responsible to the Chairman of the Board rather than to their own department with respect to performance of duty, and their efficiency ratings shall be determined by him.

2. Subject to the general approval of the Secretary of Defense, the internal organization and staffing of the Board and its rules of procedure shall be as prescribed by the Chairman of the Board. The staff of the Board shall be responsible to and shall function under the direction of the Chairman.

3. The Chairman shall keep the Board currently advised of the actions of the Chairman and the staff.

4. The Board shall meet at the call of the Chairman, or at such times as it may fix, and the presence of three members, or their duly designated alternates, shall constitute a quorum.

VII. RELATIONSHIPS

1. The Chairman and the Board are each authorized to obtain whatever information may be required from, and to communicate directly and expeditiously with, other agencies of the Secretary of Defense and the military departments and appropriate subdivisions thereof concerning any matter within its jurisdiction and in which there exists a mutual interest or responsibility, keeping the Secretaries of the military departments appropriately informed.

2. The Chairman of the Board shall coordinate its efforts with all agencies within and outside the Department of Defense which have a mutual interest or responsibility with respect to any of its programs, and will determine what formal concurrences, if any, are required.

ROBERT A. LOVETT,
Secretary of Defense.

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Mr. FORBES. The area of understanding committee operating under the letter from the President, which Mr. Ward mentioned, first got out, as he said, a general statement of policy. It next formalized an agreement in cataloging, followed one on communications and utilities. The third was on traffic management, and the fourth and final one of the formal area of understanding documents was with respect to standard specifications, packaging, and inspection.

Those four agreements were signed by the Director of the Bureau of the Budget, the Administrator of General Services, and by either the Secretary of Defense or his designated representative, the Chairman of the Munitions Board.

I might say that those four were found to be the easiest of accomplishment, although I do not want to give the impression that they were easy, either.

In each case it was a protracted series of discussions, conferences, and so on, always with the Army, Navy, and Air Force as separate departments objecting to anything which would bring about any degree of uniformity in proceeding or a change in any of their long-established methods.

We then undertook to do some things which I think need to be done in the field of purchasing and storing. That has been a series of regulations and procedures which we have worked out cooperatively with the Munitions Board and in which they have had continued difficulty in getting agreement from the services, bureaus, and commands of the three military services.

In that field we found considerable opposition in anything that we attempted to do, because any move that is made or any change that is made establishes a new way of doing business, upsets established manuals of procedure and also strikes at the vested interest of perhaps 50,000 people who are on the payroll and who are engaged in procurement or distribution.

There is also a legal hitch which, in my opinion, should be cleared up by the Congress at the earliest opportunity, with respect to the statutory basis for what we are trying to do.

In Public Law 152 there was an exemption for the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force, implied or expressed, with respect to Public Law 413 of the Eightieth Congress; in other words, the Armed Services Procurement Act. Also we all know that the National Security Act of 1947 and the amendment to the National Security Act were both silent on the relationship between the Armed Services Procurement Act and the National Security Act. Therefore in this field of procurement and distribution, the Army, the Navy and the Air Force have some basis for opposition to any move we try to make.

Also, as Mr. Ward pointed out, the Chairman of the Munitions Board, although delegated as the representative of the Secretary of Defense in this field, lacked the authority to make decisions at meetings of the Board and it was a question of protracted efforts, meeting after meeting, at which some attempt at an agreement would be reached. In a number of cases agreement was eventually reached, although compromises were necessary as we went along.

Another great obstacle to progress has been the fact that in the military services procurement and supply are considered as being two different categories, while in the civilian agencies in our concept they are a part of a unified personal property management system. In the Department of Defense and its constituent services, procurement is considered to be a matter which is susceptible to civilian control and administration and procurement means the determining of the specifications to be used, the getting of bids, the awarding of contracts, the inspection and the execution of the contract until delivery is made.

Once delivery is made to a camp, post or station or to a depot, it then becomes a matter of supply, and in the supply field the final decisions are for the most part made by the Chiefs of Staff of the separate departments and the Joint Chiefs of Staff as a group.

So when you come to distribution, which is the subject we are discussing this morning, we always have overriding the Joint Chiefs of Staff as a hazard to do anything drastic or different.

I also, as an individual, think that the Congress should deeply and seriously consider some change both in the National Security Act and perhaps in our own Federal Property and Administrative Services Act which will make unmistakable the fact that personal property management means the handling of commodities from the initiation of the requirement until the disposal of that item as surplus or excess.

That is all I have to say.

(Discussion off the record).

Mr. WARD. Perhaps Mr. Brodsky wishes to make some comments as the Munitions Board representative.

Mr. BRODSKY. At the moment I am not prepared to make any detailed comment about the way the areas of understanding group has worked nor about any required changes that may be necessary legislatively or otherwise. I think that the Munitions Board would be very pleased to make such a statement available for the record, if you desire.

It was my understanding that we were going to discuss a project which the Bonner committee was going out to investigate in the field. As I recall, we had suggested to the committee staff that it might be more appropriate to get the details of that project here in Washington since the project is still in its planning stage, rather than for us in effect to mislead the committee by thinking they might be able to see the project actually in operation in San Francisco.

I might say in broad terms that we are aware of the limitations that have been imposed upon the Munitions Board staff and the Defense Department in the areas of procurement, distribution, and supply in general, and it hasn't been a simple matter to solve these problems.

I think one of the things that has stood in the way of resolution of many of the problem areas which have been discussed here already this morning has been the lack of facts. You really can feel one way, you can believe one way, but when you are dealing with a business organization which is as big as the Federal Government is in its supply operations, you have to have facts.

Likewise, I think that the civilian side of the house has to indicate that it has the absorptive capacity to take on additional functions, to continue supply support; that again is a mutual problem.

The military has a mutual responsibility in turn for making available its requirements and cooperating in any efforts of that sort.

I believe that eventually we will arrive at a Federal supply system which will encompass military and civilian supply operations in those areas in which there is mutuality of interest. I think we have to clearly and factually define the areas in which there is mutality of interest. We are striving toward that, but certainly haven't accomplished that.

As a whole, I think the military and civilian agencies have been moving, although perhaps not as quickly as some would like, toward trying to resolve their common problems. It is true that unclear legislative intent has not only hampered the areas of understanding, but actually in some measure has hampered the operations within the Defense Department.

I think the Secretary of Defense in testifying before the Bonner committee acknowledged that that was so.

We in the Defense Department right now who are working in this area are quite optimistic—optimistic for two reasons. In the first place, as has already been stated here, the Chairman of the Board has gotten the power of decision. This power of decision doesn't mean that it is something which will be used uncompromisingly nor capriciously. Rather it means that the Chairman will be in a position to cut off endless dispute and to see to it that decisions are arrived at.

We admit that in a large measure the capacity to arrive at decisions has been lacking in the past.

The other aspect which is encouraging is that fact that section 638 of the Appropriations Act has provided for the necessity of integration of the supply system by regulations issued by the Secretary of Defense. Such regulations have been drafted and must be issued prior to September 8. I feel confident that those regulations will be a milestone toward integration and the attainment of economy within the military supply system.

I think there are two basic problems involved in our discussions. One is: What do we do to improve and integrate the current military supply operation? The second is: How do we tie in the military supply operations with the civilian agencies' supply operations?

I think that we are moving ahead in both of those areas, although I am certain that people can point to many areas of deficiency.

Despite obstacles, despite the endless debate, we have made substantial gains in attaining efficiency and in attaining economy.

It is true that oittimes publicity glamorizes the errors at the sake of overlooking the advances that are made. That is not intended to belittle the errors. It is rather an appeal to those who understand what is involved in the supply operation to be thoughtful and to recognize the fact that none of these things

are accomplished overnight, that none of the answers are clearly apparent and that it requires a lot of work and study to arrive at the answers.

We are engaged in a study at the moment which befuddles us. I know the committee is very much interested in it. It is a study of coffee roasting. There are certain unexplained factors, it appears to us, which require answers. We have not yet been able to attain the answers, and I know that some people will probably be impatient because the study has not gone out. I think that you people will agree that we would be foolhardy to issue any study of that sort or any study that relates to the areas under consideration here unless we have had the opportunity to explore the field and be certain that the answers we come up with are realistic and not based on conjecture but on fact.

I think that many of the things which Mr. Forbes and Mr. Ward have pointed out with respect to the areas of understanding agreement and the length of time that it has taken to reach conclusions can be substantiated by the evidence.

On the other hand, I submit for your consideration the fact that until GSA, for instance, is in a position to confront the military departments with specific facts: What is this going to cost? How is the Government as a whole going to save on this? How is it going to affect the military support? What relationship is it going to have to overseas supply? Until answers of that sort are obtained, I think that we will have difficulty. That is why I am so encouraged by this project which Commander Raymond and Mr. Daly have undertaken for the Defense Department and GSA on a mutual basis, because this is a fact-searching project, something which, as far as I can recall, we have not had in the past.

We are looking for statistics. What we are looking for are the items we are talking about? What are statistics which relate to these items? What are the probable impacts if GSA should assume responsibility for the procurement and distribution of these items? It is only after we have ascertained the facts that we who are in a policy-making position can, with clear conscience, say that the conclusions, the recommendations arrived at are sound, that we are willing to stand behind them, that we feel that the Government as a whole will benefit and at the same time that the military departments will be assured the continuity and type of supply that they require.

So in summarization, then, I think the progress has not been fast. I think that there is not one particular set of circumstances but rather a combination of circumstances which have impeded the flow of progress. I think that the project which Mr. Daly will outline for you this morning will indicate the type of activity that is required in order to make sure that we can move ahead soundly.

That is all I have to say.

Mr. DALY. The purpose of my presentation this morning is to acquaint you gentlemen with the joint Department of Defense-GSA distribution survey of certain civilian-type common-use items which is being carried on by Commander Raymond and myself under the direction of the area of understanding working group.

Like other similar projects which have been discussed this morning, this stems from the provisions of Public Law 152 and the President's letter of July 1, 1949, which provided for the development of areas of understanding between the Department of Defense and GSA.

In practice studies of this sort are undertaken at the direction of the area of understanding working group, which, as you gentlemen know, consists of Admiral Ring, of the Munitions Board, Mr. Forbes, Deputy Administrator of GSA, and Mr. Ward, representing the Bureau of the Budget.

This particular project deals with civilian-type items which are now under centralized inventory control and presently distributed through the various military depot systems as distinguished from those items which military installations are authorized to procure locally.

During the early part of this year the area of understanding working group turned its attention to the centralized control of depot-type items and they originally directed that a project outline be prepared by a survey team which contemplated an on-the-spot survey in the San Francisco area. After the planning team had an opportunity to make a general estimate of the situation a recommendation was made that the scope of the survey be extended to include total world-wide support rather than limiting this just to the San Francisco area, and that the portion of the statistical data compiled that would be applicable to San Francisco be broken out of the totals.

It was also recommended that the survey be made at Washington rather than at the field level because of the availability of information at the various headquarters here in Washington and at the national stock-control points.

These recommendations were presented to the area of understanding working group and approved by them. The project was modified accordingly and the project team was then given the following as their mission:

To develop facts and statistical data concerning distribution supply support of military services of the Department of Defense and Federal Supply of GSA in regard to common-use civilian-type items;

To present factual problems and impacts expected in the event it should be determined feasible for the Federal Supply Service to assume distribution supply support for the military services of the DOD for civilian-type common-use items.

About April 1 of this year the Munitions Board-GSA team started actual work, and we called in technical representatives from each of the military services and the Federal Supply Service to assist us. As soon as we had an opportunity to really get our teeth into the problem, we found that to carry it out successfully we would have to break it into six phases. I would like to read those phases and explain each phase very briefly, and we will go back later in this presentation to discuss in greater detail each of the phases.

If you will refer to tabulation A before you, you will see that the first phase was the selection of items. Our problem there was to select the right type of item, select a sufficient number of items to give us a representative sample, and at the same time keep the number of items within the limit of which these items could be handled properly in the course of this study.

The second phase was the actual gathering of statistical data from all services concerned in this survey.

Phase 3 was the analysis of these statistics.

Phase 4 was a description of each of the military distribution sytems and of the Federal Supply Service distribution system, because there are some similarities, but there are a great many differences between these systems, and to properly understand and carry out this project all concerned must be acquainted with the present systems.

The fifth phase—probably the most important phase—concerns itself with the problems and impacts expected in the event GSA should assume distribution supply responsibility for the military for these items.

The sixth phase will be a complete staff report giving all statistical data, reporting all facts gathered, a report as to the evaluation of these facts and any conclusions which can be drawn from them.

Phase 1, which concerned itself with the selection of items, at first thought was expected to be relatively simple. That turned out to be a rather difficult phase and we made one or two false starts.

I would like to call your attention to tabulation B before you where we have listed by item name, by class, the items included in this survey.

In selecting these items we attempted to pick items which can be related to military strength, and which have important logistical significance. In the selection we made no attempt to follow a formal definition of a common-use item but tried to select items which by their very characteristics could be recognized as a common-use item as you and I understand them.

I want to emphasize again that these items are only items that are now in the depot systems of the military and are under strict centralized stock control.

We decided to use the January 1952 catalog of the Federal Supply system as the basis for the selection of the items.

Referring to tabulation B, we selected 8 items of paper towels, certainly a common-use item, 4 items of toilet paper, 2 items of dishwashing compound, 8 items of toilet soap, 8 items of paper clips, 6 items of blotting paper, 7 items of computing-machine paper, 25 items of mimeograph paper, 13 items of manifold paper, and so on down the list.

We also attempted to get a representative cross section of the types of items that would represent bulk and require handling, require warehouse space, so we would be able to explore all elements of this general problem.

I would like to also mention that the items in this list are the type of items that are consumed by field forces and are consumed by naval forces afloat.

I would like to have you refer now to the large sheets which we have indicated as tabulation C.

After these items were selected and properly identified by the Federal Supply Service stock number and the Federal Supply Service item description, the lists were turned over to the military department representatives with instructions to go to their records to find out what items they have in their depot stocks that match this list of Federal Supply Service items, to tell us what items they had in their stock which were similar or could be used as a substitute for these

items, also to make this all-inclusive, to tell us what items they had that were not identical, that were not similar, to the point where they could be substituted, but would fall under the general-item name.

For example, we might have an 8½ by 10 size mimeographed paper of a certain weight. The military services or a military service may not have any item fitting that exact description or any item which could be substituted for it, but if they had some other item of mimeographed paper, that would be included as an alternate.

Following that general line of approach, we started originally with 128 items selected from the Federal Supply Service stock. Early in the game we dropped 4 items we had originally included. Those four items were four items of heads for paper-fastening machines. They turned out to be so inconsequential that we dropped them.

Using these 124 items as a base, the military services representatives went back to their headquarters or stock-control points and carefully examined their specifications and their stocks, and came up with a list of identicals and alternates.

I ask that you refer to tabulation D, which is immediately behind the tabulation C sheets, and you will see that the Army had 26 items which were identical, 38 which were alternates. The Navy had 38 identicals, 58 alternates. The Marines had 28 identicals and 11 alternates. The Air had 22 identicals and 22 alternates.

At first glance that would appear to be a rather easy task, to select a group of items and say to the services, "You go, and find the items that match this list." But we spent endless man-hours just trying to match these items because we ran into the difficulties which had existed for years and with which you gentlemen are quite familiar. That is, we do not have the same stock cataloging numbers. Our descriptions differ in some cases, yet mean the same thing. Nevertheless, after a great deal of pick-and-shovel work, we came up with matching items for this list.

Referring to tabulation C again, gentlemen, you will see that there is a complete tabulation for each service, for the Marines, the Navy, the Army and the Air.

We now have a list showing their identicals and alternates, and I would like to point out that these are still working papers that we are dealing with. This project is not complete. We have to make some minor changes on this. We are still working with it.

After the selection of items was completed, our next task was to decide what sort of statistics were required to tell GSA what the potential workload would be, to give the military an opportunity to compare its volume and its workload with GSA, and for many other purposes.

So after very thoughtful consideration of the problem and after discussion with the technicians and experts of the military services, we decided to compile the statistics in accordance with the formats which are shown in the papers before you as tabulation E and tabulation F.

I think that you can disregard tabulation F because it is identical to E, and merely covers the statistics broken out from the totals which represent the volume in the San Francisco area.

In the compilation of these statistics we decided we must start with the base stock number, which was a Federal Supply Service stock number. Alongside of that we would show the service stock number, that is the Army, the Navy, the Marine, or the Air stock number, indicating the items which match that particular FSS number and identifying those items as being either alternates or identicals.

The next column was unit of issue. That is very important to supply people. It varies considerably between FSS and the military services, and the military services, in some cases they do not have the same unit of issue among themselves.

Item 4 was the number of units issued for consumption during the base period July 1 to December 31, 1951, which is the period we decided to cover in this study because statistical data was readily available for this period.

Column 5 was the dollar value of these services. Of course, that factor is important to GSA, also to the military, because we must know whether we have funds available to finance an undertaking of this size.

Column 6 is the next. That is the unit cube of these various items according to the standard pack. That is a figure we can use in developing the warehouse space required, et cetera.

Column 7, total tonnage of shipments in and out, in terms of short tons, was very important, in my mind, to GSA for this reason. In our supply practices we are dealing with a more or less static consuming population. When we buy material we generally ship it into a warehouse, hold it there, and ship it out again—one-time handling. Of course, there are occasional instances where we are required to ship stock between warehouses.

The military has a somewhat different problem due to their shifting population, where they may have to move materials more than we do. They may have to rotate stock reserves, et cetera, and we had to know in GSA what the tonnage was in their in-and-out shipments so we would have some idea as to the workload impact if we should take over that problem.

Column 8 is self-explanatory. That is the quantities on hand and on order as of December 31, 1951.

The statistics in that column have to be used very cautiously because it could be that at that time the stock levels of any particular service, including the Federal Supply Service, may have been below their normal point.

The due-ins may have also been below the normal point because of some economic condition in the country and the inability of procurement people to buy all of the particular item required at the time.

But we felt that with these statistics we would be able to continue the project.

The next phase of the project required that after each military service had compiled these statistics and furnished them to the project team, we had to sit down and go through it to correlate all of the statistics against GSA items.

We ran into several problems there. For example, in paper towels, GSA considers that it has two separate items for the same paper towel because of different units of issue. In some cases we issue the paper towel by the carton under one item number and we issue it by the package under a different number. So when we attempted to pull these statistics together for purposes of comparison and ran into a situation like that, we treated that item as a single item, and where possible FSS converted its unit of issue to that of the military. For example, in toilet tissue our unit of issue is by the carton, whereas the military issues it by the roll.

We therefore compiled the statistics by the roll in order to arrive at a common figure.

After these statistics were correlated so the FSS issues, tonnage, dollar volume of issues, and so forth, could be compared with the data submitted by the services they were returned to each of the military services with instructions to look at this statistical picture, and compare it in terms of ratios and percentages with their own. Commander Raymond and myself took the total DOD figures and compared them with the GSA figures, so that we could get general ideas as to ratios and percentages.

In that phase of the problem I would like to make it clear that this was not intended as a formal statistical analysis, but was merely for the purpose of highlighting these pertinent facts so they could be considered later in this survey.

After the completion of the analysis of the statistics, we had each of the military services and the Federal Supply Service draw up a description of their distribution systems insofar as they pertained to items of this class. We had them prepare maps showing the distribution depots, and we have that information so that it can be used in a later phase when we consider the differences of these systems and what they mean in the problem.

There is one outstanding difference, for example, that will have to be given consideration. All of the military depot systems operate under a strict centralized stock control. They can say at one point what shall be done, and they can tell you at one point where their stocks are. The Federal Supply Service operates on a regional basis, and while we exercise some control through policy direction and technical guidance, we do not have the elaborate mechanism of a centralized stock control.

That is a rather fundamental and important difference.

Jumping to phase 5, which covers the problems and impact expected in the event GSA assumes distribution supply, the problems which we think will arise in connection with the change from the four present military distribution systems to that of the Federal Supply Service are many, and they will range from administrative problems, such as the processing of documents, to policy matters of more or less vital concern, such as the exercising of responsibility for the coordination of supply plans for the several military services.

This phase of the project has been given most serious consideration by the project group, and I would like to mention a few of the major headings in our

outline for this particular phase in an effort to illustrate the many possible ramifications of the problem.

First and outstanding, of course, is the ability of GSA to assume supply support, to supply the right thing in the right quantity at the right place at the right time. That includes such things as the availability of warehouse space, the availability of personnel, the type of organization needed to do the job, and so on.

The second is a most important one to the military services. This topic in our outline covers planning or program control to meet the logistic needs resulting from strategic and tactical plans of the military. The military as they are presently set up have their supply system tied in to their planning and program operations.

Another important problem will be material control. That is stock and supply control in order to provide maximum use of available stocks. What are the problems there? How are we to solve these problems so we can keep a finger on these stocks and know how to apportion them in order to get the maximum use from them? Another topic of great interest to the military, of course, is the matter of supply discipline. I will have to ask my teammate, Commander Raymond, to speak on this point later, but, as I understand it, it is carried out through editing of requisitions, and other controls, in the military services.

The problem of document administration presents many troublesome details because of different methods of funding, different methods of accounting for property, and so on.

The matter of reports necessary to the military sounds relatively simple, but that is rather a broad subject because the military have been operating with a well-organized reporting system, as I understand it, which FSS or GSA may have to duplicate to a certain extent if we assume supply responsibility.

In our last general heading we have included the economics of operation or increased efficiency and included such subheadings as the elimination of waste, the relief of work in military departments, efficiency of operation, and possible solution of problems in other functional areas such as in the procurement field.

As we progressed in this project we felt that the statistics we were gathering and the knowledge we were gaining of each other's problems would certainly be of great value in other fields, particularly the procurement field.

As I explained briefly, this project was confined to distribution and not procurement, but the facts that we have gathered here may be of great value to the procurement people.

As to the timing, we expect and hope by working every day for the next 2 weeks to have the final report in shape toward the end of August. In the final report we tentatively propose to prepare it as follows: It will first have a foreward explaining the objectives of the survey and identifying the survey people who participated. It will have an introduction containing a background of the survey with a brief explanation of the plan followed and a breakdown of the staff report. There will be a brief explanation of what was involved in the selection of items. There will be a brief explanation of what was involved in the compilation of the statistics. There will be a brief explanation of what was involved in the analysis of the statistics. There will be an explanation and a description of the present supply distribution systems of the several services, and there will be an explanation of what was involved and what we found with regard to the impacts and problems. There will be a section devoted to the evaluation of these facts, a discussion of the salient points and of the facts as revealed by the survey. That will be followed by conclusions and such recommendations as we consider appropriate.

I feel that I speak for my teammate in this, that we realized our responsibilities in this matter very early in the game and reached the conclusion that we must remain objective throughout this survey, must guard against arriving at any premature conclusion before the final report was in and signed, because, as you develop these facts and as they unfold, you find that your mind changes because one fact offsets another. So I think I can speak for Commander Raymond at this time and say that neither of us have drawn any conclusions whatsoever with regard to the outcome of this project.

Our instructions from the area of understanding working group were that we must deal with facts and facts alone. So until the report is in and delivered to those who have the power of decision, we are unable at this time to tell you or indicate in any way what the final result will be.

I would like to ask Commander Raymond to fill in in case I have not emphasized any particular point or overlooked anything.

Commander RAYMOND. Well, frankly, I must say that Mr. Daly has given a very complete briefing.

As you probably conjectured, he and I collaborated in developing the outline which has previously been given in a briefing form to the Supply Management Advisory Council, to the area of understanding working group, and now today to this group here.

I have nothing further to add to what Mr. Daly has said, because I think he has given a complete statement of the problem, and a complete explanation of how we have attacked the problem. I must say he has done a 4.0 job.

I presume that possibly you have certain questions of details that you perhaps would like to ask either one of us concerning the various phases of the project. With that I will invite questions.

Mr. FORBES. I would like to ask one question either of Mr. Daly or Commander Raymond.

In this list of 124 items which you selected for the study, you have 25 items of mimeograph paper, for example.

Mr. DALY. Yes, sir.

Mr. FORBES. Does that represent all of the varieties, types, sizes, grades of mimeograph paper used by the military and civilian agencies, or is it only a selection of the total?

Mr. DALY. We started, Mr. Forbes, with the 25 items of mimeograph paper that the Federal Supply Services presently stocks.

I think I will have to ask Commander Raymond to answer the question as to whether the reports for the military would include all mimeograph paper that they use. I believe they would, because the alternates would certainly cover that, would they not?

Commander RAYMOND. All items of mimeograph paper are included in this survey from the standpoint of all four military services, Army, Navy, Marine Corps, and Air Force.

One of the criteria we established in the selection of items was that changing a distribution supply system meant that you could not give just a few items in an item-name category, but that you must give the complete total. Therefore, I can assure you that every single item of mimeograph paper which is in the distribution supply system has been included in this survey.

Mr. FORBES. Does that hold true for the other items?

Commander RAYMOND. It does. It does not include any items which are handled through local purchase actions and it does not include any items which, although presently in the system, have become obsolete and obsolescent, and are on their way out of the distribution supply system. It includes only current live stocks.

Mr. DALY. In order to clarify that point, I would like to state that we already have an agreement of record whereby the military services look to the Federal Supply Service of General Services Administration for the local procurement-type items under certain criteria set up under a previous area of understanding agreement. So actually when we speak of mimeograph paper, we cover all depot items of mimegraph papers in this survey, and having the previous agreement for the local procurement-type items, I would say that we had an approach to all mimeograph paper, which, incidentally, is a very large item in both the civilian and military establishments.

Mr. KENNEDY. How long have you been working now on this study project?

Commander RAYMOND. We have been working on this project since the 13th of March when this project was presented to Mr. Daly and myself by the area of understanding working group.

Mr. KENNEDY. 1952?

Commander RAYMOND. 1952, yes. The work involving all representatives from the military services and the Federal Supply Service did not commence until April 1.

Mr. KENNEDY. You hope to have a report available to your superiors by the end of this month?

Commander RAYMOND. By the end of August or immediately after Labor Day.

Mr. KENNEDY. How many persons have worked on this project with you?

Commander RAYMOND. Mr. Daly and myself are the project leaders. We have representatives, that is, three representatives, from the Federal Supply Service who have entered into the direct participation. This does not include people who have done clerical details under their supervision.

There have been three from the Army, two from the Navy, and two from the Marine Corps, and three from the Air Force.

Mr. KENNEDY. As I understand this study, this is the groundwork before any possible tests could be undertaken.

Commander RAYMOND. That is correct.

Mr. KENNEDY. At this point you are in no position to state to the committee whether or not a test should be undertaken. That would be the recommendation which would be contained in the report that you will file before Labor Day?

Commander RAYMOND. Following Mr. Daly's comment that we have not evaluated all of the appendixes, we have not prepared the report, and we are in no position to give any conclusions or any recommendations.

I conjecture that we probably will come up with some conclusion and recommendation. Whether those will answer your particular question specifically or not, I cannot at this time tell you.

Frankly, in controlling this project it has been the responsibility of Mr. Daly and myself to prevent any conjecture or any anticipation, because we felt we had to attack the problem step by step logically, and we could not jump ahead of ourselves or we would cause a lot of grief and get into hot water.

If I may make an analogy, it is like desiring to go from a first floor to a second floor of a new house. You cannot get there until you have constructed the steps from the bottom up.

Mr. KENNEDY. Assuming for the moment that what you say is true, your project study was initiated either to decide that administrative items could be handled in the fashion that we have discussed this morning or not. If so, either a test will show it or it will not show it. This study looks like a test itself.

Commander RAYMOND. We have two objectives. The first objective was to develop facts and statistical data concerning the distribution supply support within the Department of Defense, the four military services, and General Services Administration in regard to the so-called common-use items. We feel we have done that.

The second objective was to present the factual problems and impacts expected in the event it should be determined feasible for the General Services Administration to assume distribution supply support for these particular common-use items.

I do not wish to indicate that I am evading any direct answer to the question, but those are the two objectives. I think we are going to meet those two objectives. It is possible that evaluation may disclose certain things that at this time I could not give you.

Mr. KENNEDY. If your report is filed in September, and it assumes that a test is necessary, then no possible results coming from an experiment could be available to the two agencies—the DOD and the GSA—before late next year?

Commander RAYMOND. That is correct. I would like to indicate again, as Mr. Daly pointed out to you, that actually this is a very complex problem. To my knowledge this is the first time, in relationships between General Services Administration and DOD, that we have actually dug into a problem and have obtained facts. And we are proceeding on facts, rather than generalities.

Obviously, before you can make any decision as to what you should or should not do, you must have facts behind you. We feel that these are the facts that will be compiled and will be presented. They will form the basis then to make a decision rather than a decision based on generalities.

Mr. KENNEDY. With regard to San Francisco, what is the degree of knowledge that they have of your project study at that level?

Mr. DALY. I will answer that question.

Commander RAYMOND. It is obvious you cannot start the test until you know what you are getting into. It will take a little while to complete that test.

Mr. DALY. It depends upon the length of time of the test there. It is a difficult question to answer at this time.

Commander RAYMOND. I would say that the answer to your question was "yes," that it would be sometime next July, possibly, providing a test was started in the immediate future.

Mr. KENNEDY. What is the tie-in here? For instance, the committee is going out to San Francisco. We will meet representatives of the DOD there and possibly General Services Administration at the regional level.

What is the degree of information that we will be able to tie in out there with what you are doing?

Commander RAYMOND. We have compiled statistics against these items selected both from a world-wide aspect and from the San Francisco Federal Supply Service center. In other words, the total military world-wide statistics have

been given, and then we have broken out from that total the proportion of the military statistics which, in the event of assumption of supply responsibility by the Federal Supply Service, would be supported by the San Francisco supply center.

Mr. KENNEDY. What was the purpose, may I ask, having it at San Francisco?

Mr. DALY. I will be in a better position to answer that when you are through.

Commander RAYMOND. This project originally started as a test in the San Francisco area—not a test, but a survey. Some people picked up the idea of a test.

Immediately, from the standpoint of Mr. Daly and myself and others who were closest to this problem, we felt that was the wrong approach, and we wanted to try to get it away from the local working level where it would have been an almost unsurmountable task to accomplish, and where it would have impeded progress so far as developing the data is concerned; and, secondly, we felt that we should not proceed on any assumption until we knew the total impact, because obviously if you start a test for just a local area it means that you have brought into existence a duplicate supply system which, without question, is costly.

Frankly, if I may make one opinion here, I personally feel that if anything is done it should be done across the board rather than only in a portion. That is just a broad opinion, and I would have to expound on the qualifications. Certain service activities, such as a recruiting office or an inspector of material, obviously should not be going to a far distant distribution point to obtain the supplies when they can obtain them closer. That is a sort of a corollary point of qualification.

Mr. FORBES. I would like to say a few things in direct answer to your specific question as to why San Francisco was initiated as the point for the first study.

In the area of understanding working group they thought that San Francisco might be a good place to make a pilot study of this problem, because in that same area the Department of Defense was conducting its own pilot study by assignment to the Department of the Army of the task of serving the San Francisco area and the Pacific battle front for the Navy, Air Force, and Marine Corps from the Army depot. But as Commander Raymond says, when they got into the question they found there was so much interlocking relationship between one Army area and the Navy District, and so on, that the team very logically came to the conclusion that they should look upon the subject as a world-wide problem, as well as the San Francisco area problem.

Commander RAYMOND. We have deemphasized the San Francisco area. We have done what the area of understanding working group asked us to do in compiling statistics for the San Francisco Bay area, but in the survey since we have accomplished that task we are deemphasizing it, for the reason I gave you, that is, you should treat it as a whole rather than a bit or a piece which works in integration or in relationship to the whole.

Mr. DALY. I think I perhaps had the major interest in that San Francisco idea. I would like to go into more detail, if I may, as to why we recommended a change in the plan.

As explained previously, we had in mind using the General Services Administration San Francisco area as the place for this test and gathering information we have discussed here on the spot, but when you actually plotted this thing, on a map, you find that the supply districts or areas of the various military services did not coincide with our San Francisco area. If we went to these various use points and attempted to compile the statistics, as Admiral Ring expressed it, Commander Raymond and I would be lost in the desert for months and maybe years, because in that area there are so many use points.

For example, you have military details at some of the high schools and ROTC's. You have small recruiting parties, you have arsenals, you have depots, you have every type of activity scattered through this area.

That same information was available from one piece of paper back at a central stock-control point. Therefore, rather than visit all of these locations, we have obtained the necessary information from stock-control records.

I say I had the major interest in this. As soon as I had an opportunity to make a reasonable estimate of this situation, I reached the conclusion that statistics from the San Francisco area alone would not give a complete picture and we could be misled as to the total workload impacts. Some very false conclusions could be drawn from such a study.

Let us see what the whole problem is. Let us take a sample of these items so that we can use this statistical data as percentage and ratio, and let us see once and for all what this whole problem is.

We have isolated those San Francisco statistics. I have not tabulated them as yet. I have them ready for tabulation, and we can tell you by dollar value, by unit, by tonnage, what amount of this workload actually falls within the regional boundaries of the General Services Administration San Francisco warehouse.

Mr. BRODSKY. Could I corroborate Mr. Daly's statement by a further clarification so that there will not be any misunderstanding?

In the medical test, about which you have heard a great deal, we have run into the same problem areas that have been outlined here.

I would like to make it clear, too, that the medical test, as such, will be completed August 31, just a couple of weeks from now, but that by no means is the final determination of what is going to happen in the area of medical supply.

The medical test is only one portion, and a very small portion of the over-all medical study, which will not be completed for about two more months, which will give us the opportunity to evaluate the results of the test and the various studies we have made across the board from the requirements determination phase, through the procurement phase, through the distribution, through the ultimate disposal and even research and development phase in the field of medical and dental supplies. So that comes August 31, the test in San Francisco is over, but by no means does that necessarily mean that the immediate results of the test will determine whether or not, for instance, in the San Francisco area we will continue as a long-range policy to service the Army, Navy, and Air Force, and the Pacific area from that area.

I might say this much with respect to the test, since you people are going out to San Francisco: The Munitions Board deemed it inadvisable upon conclusion of the test to say, "O. K., let us stop the operation and then await the results of the evaluation." We have therefore directed the Army, the Navy, and the Air Force to continue the servicing within the San Francisco area and the Korean area of the same troop strengths that they have been servicing during the period of the test.

For all purposes of the test, the test is over August 31. Reports from the using units are due in as to type of service they have received within 30 days of the conclusion of the test. Servicing will continue for the Army, the Navy, and the Air Force, from Alameda depot until the medical study is finalized, but the test, as such, is over August 31.

I think that should be made perfectly clear to the staff and to the members of your committee who will go out to look at the tests.

Mr. ROBACK. What is being done at San Francisco with regard to this particular phase of the testing, that is, of the common administrative items? Is there anything that the committee should look into that is pertinent to the committee's inquiry in the San Francisco area?

Mr. DALY. I think I can best answer that question. The San Franciso area of General Services Administration is not participating actively in this project, because all of the information was available at the Washington level. However, there are military problems in the San Francisco area.

As you gentlemen know, we have this agreement with the Army, Navy, and Air Force whereby their local procurement items will be procured through General Services Administration. The General Services Administration warehouse in San Francisco is presently furnishing to the military a substantial amount of supplies that they are authorized to procure locally.

If I may talk about that local procurement problem a moment, we entered into that agreement sometime ago, and it was to be implemented generally at the local level. For various reasons we had trouble getting started.

One of the principal difficulties was the old trouble of cataloging. Before we could go to some of these Air Force installations and say, "We are ready to serve you," we had to take their catalog and our catalog and work together so that we could identify the items. And we have prepared certain master sheets where we will show the General Services Administration stock item number, then show the military item number, and say, "When you want to buy this item number you get it from us under this item."

That is one of the things we had to go through.

In recent months we have made, in my opinion, rather rapid strides in further implementing that local procurement agreement because many of the local commanders, particularly commanders of armies, have talked to our people, have issued directives that set up a better way of notifying us of their requirements for local procurement items.

I certainly think, if I may express a personal opinion, that the committee would want to talk with the San Francisco people and with the military people

as to how the local procurement angle is working out, because, bear in mind, there is a substantial volume in local procurement items.

For example, I believe the Quartermaster alone has some 4,000 items, many of them in the common-use field, that is, hardware items, soaps, and things like that, that he is authorized to procure locally. I think Colonel McKnight can answer for the Air Force. The Air Force has a substantial number of items.

Lieutenant Colonel McKNIGHT. They have quite a lot; yes.

Mr. WARD. In order that the report will be complete, will you supply for us copies of those agreements for the local procurement? That is one thing that I omitted in my original statement.

Mr. DALY. I do not have them with me.

Mr. WARD. You can send them over.

Mr. DALY. I will send them over.

Mr. WARD. Both the over-all agreement, and then the three departmental subsidiary agreements.

Mr. BRODSKY. You have outlined the program on local procurement and have advised the committee that they could well look into it in San Francisco—I suggest that the record should show that yon did not intend to imply that San Francisco was the only place.

Mr. DALY. Absolutely not. I would like to clear that up. Every one of the 12 Federal Supply Service warehouses are presently supplying the military with common-use items under this local procurement agreement.

Mr. ROBACK. Does that process have any relationship to the study which you are now prosecuting?

Mr. DALY. No, sir. I would say that it does not except indirectly, because the items that are covered by this study are those which the military services have not authorized for local procurement but which they hold themselves in their depots.

Commander Raymond can give a better explanation on that.

Commander RAYMOND. In amplification of this subject we are discussing now, when we were selecting these items and making up these lists of the particular items against the item names, we found that most of the services originally had included in their lists of items correlated against General Services Administration items, certain items that were for local purchase. We had to delete those items from this survey, because this survey—again I want to emphasize—covers the distribution responsibilities, and covers only those items which are included in the centralized inventory control systems of the four military services. It does not include these great numbers of common administrative items which are directed and authorized for local procurement action. Under the Munitions Board directive, each military department is supposed to go to the Federal Supply Service to obtain its local purchase, all other things being equal.

Mr. ROBACK. So that as far as the committee's concern with the problem of military supply through the General Services Administration system is concerned, there is no particular subject matter in San Francisco that ought to be investigated prior to this study, as you consider it? Is that right?

Mr. DALY. That is my opinion; yes.

Mr. ROBACK. Is one of the conceivable conclusions of that study that there ought not to be undertaken the procuring and the distribution of certain supplies through the General Services Administration? I am not asking whether it is a conclusion, but is that one of the possible conclusions?

Commander RAYMOND. I think that we had better go back and say that we have not as yet made the complete evaluation of the appendixes. And at this time it is impossible for us to say what might be some of the conclusions.

Mr. ROBACK. My question is this: Is the study of such a nature that that might be one of the conclusions?

Lieutenant Colonel McKNIGHT. I wonder if I could answer that question, Mr. Roback? As I see this study, what you are asking is, What could be the outcome of this study?

One, from the study it appears feasible for the General Services Administration to take over the supply and distribution of all the items under study.

Two, another possible conclusion or recommendation could be that only selected ones be taken over by the General Services Administration for supply and distribution.

And the third possibility is that it is not feasible for General Services Administration to take over any of these items.

Mr. BRODSKY. Could I interrupt there? Is it not another possible solution that the military departments provide those items, too?

Lieutenant Colonel McKNIGHT. That is another, that the military departments supply and distribute these items to the civilian agencies.

If the results of the study are either one or two, namely, that it is feasible for General Services Administration to take over the supply of all or part of them, then a test would be instituted in the San Francisco area as a method of testing these recommendations, this hypothesis, to make sure that the hypothesis is sound. In the event that it came out that there should be no interrelation between General Services Administration and the military departments, the matter would probably be dropped.

In the event of the fourth one, which Mr. Brodsky brought up, that it appeared that the best solution would be for the military to furnish these items to the civilian agencies, then we would have to initiate a test in some area to determine whether or not that hypothesis was the correct one.

Commander RAYMOND. May I make a little amendment there?

Frankly, I do not see at this time, since, as I say, we have not completed the evaluation of any of the appendixes, that anything is going to be proved by a test. Possibly I could be wrong. I think that the facts will be there. And those facts are the basis for making planning decisions.

I do not think that a test would prove anything more other than presently will be available in this survey in regard to the facts.

Mr. BRODSKY. I am glad you said that, because I do not know where the word "test" sprung from in association with this study, but I think it has been somewhat misleading.

In essence what you are doing now is the test or what was interpreted as the test.

Commander RAYMOND. Right.

Mr. BRODSKY. As to whether your conclusions will be of such a nature that an actual physical test is required, my judgment is that you do not know yet from what you have just inferred.

One could gather that you probably do not visualize at this time that an actual physical test would be necessary to test the validity of your conclusions, but the test which these people have been referring to is really the study that you are now conducting.

Commander RAYMOND. I am glad that you brought that out. We have called it a survey. Actually, you could reentitle it a test, if you understand that it is a survey to obtain facts, that is, to proceed on facts.

Mr. ROBACK. It is a test of a different order than, say, the medical supply distribution where you actually have a working system out of this single consolidated depot set-up. This is what you might call a paper test.

Commander RAYMOND. Right.

Mr. KENNEDY. As against an operations test.

Commander RAYMOND. Yes.

Mr. ROBACK. Suppose there were a distribution of the common items across the board, and suppose there were a standardized nomenclature, cataloging system for those types of items which had been completed on a uniform Federal basis. Would that possibly have made a substantial difference in the kind of conclusions you arrived at; in other words, are those differences such as to have so complicated the problem of statistical analysis and evaluation that you might come up with a conclusion that it is not feasible for the General Services Administration to enter into this system?

Commander RAYMOND. May I answer the question in this manner? In selecting the items we spent a lot of man-hours and a lot of grief because it was hard to correlate or match the identicals, which is No. 1. And even the alternates, which is No. 2. And while we did not go into the standardization of cataloging or specifications at all, it was almost obvious to us there was a great deal needed to improve, not just the military system, but also the Federal Supply Service system.

In regard to a possible conclusion we may come up with, I do not think that we would conclude that the numbers would impede any possible recommendation that we might come up with, because it is obvious that we are proceeding down that line of eventually standardizing our name, number, and description throughout the Federal Government.

Mr. BRODSKY. Is it not fair to say that in your study you have overcome the difficulties with respect to the inadequacies of standards and cataloging, but the final conclusion will not be biased as the result of the lack of it?

Commander RAYMOND. That is correct.

Mr. DALY. I agree with that statement.

Mr. ROBACK. Do I understand, then, that the conclusion that you would come to in this test would not be altered by a drastic difference in the standardizing process; that is to say, if all of these things—if 23 of 25 were eliminated, and if you had a single uniform nomenclature, that would not alter your conclusions?

Mr. DALY. No, sir, I do not believe it would. I would like to point to this fact that the same problems with respect to differences in item numbers and with respect to standardization exist in the area of the local procurement items. While it caused difficulty, we have overcome them to such a degree that we are presently serving the military services through General Services Administration for those local items.

Mr. WARD. It would greatly facilitate your study.

Mr. DALY. We agree wholeheartedly.

Mr. WARD. In the operation from procurement to distribution, that is, if the items were standardized, and if you had 1 instead of 20.

Mr. DALY. We agree.

Commander RAYMOND. I think we probably spent about 7 weeks on this. If you wonder why it took us so long, that is the time we spent in overcoming this problem of correlating our individual service items and bringing them together so that we could give a consolidated picture.

Mr. DALY. I would also like to point out that this is rather an old problem with us, because even in dealing with the civilian agencies, we have faced the problem of lack of standardization. It has been cleared up to a certain extent since the use of the Federal Supply Service stocks were made mandatory some time ago, but if you go back a few years in the civilian supply history, you would find that the stock catalog of the State Department differed entirely as to number and description from the stock catalog of the Department of Agriculture, for example.

I am sure that you, Mr. Ward, will remember those days and the difficulties we had.

As a matter of fact, when Federal Supply Service first took over part of the supply responsibilities, we had many of the problems that we are facing today with the military.

We agree with Mr. Ward that if we had a common item number and a common description it would have been easier.

Mr. ROBACK. Would that not have simplified the whole distribution problem down the line?

Mr. DALY. Yes.

Mr. ROBACK. And because you are now confronted with many difficulties and complexities down the line, it seems to me that quite possibly by the proper kind of standardization the distribution might be feasible, whereas now it might be too complicated. That seems to be a common sense proposition.

Commander RAYMOND. I would not think so from this standpoint: Whoever is charged with that responsibility is the one who is going to specify the use of his name, number, and description which, under the present program, will eventually be Federal name, number, and description.

Mr. WARD. Then from that point of view you do not think there is any objection to handling technical items in the common depot? It seems to me that is what you mean, if it does not make any difference whether these items are standardized. Then it does not make any difference whether we will say Supplies and Accounts or the Quartermaster handles technical items, that, is, nonstandard items for the various services in the departments.

Mr. BRODSKY. Could we get the terminology straight on this? You have used some terms which have a particular meaning in the trade, as it were.

Mr. WARD. I would like for him to answer that, taking up on the statement that he made. I am not trying to be cagey, because I think there is a lot of merit in the statement that Mr. Roback made that if each one had to have a different specification for each of these things then there would not be a great deal of point in trying to get a consolidated program out of it.

Mr. BRODSKY. You are talking about standard stock rather than technical items.

Mr. WARD. Common items; about common specifications for items used by the various services.

Commander RAYMOND. If I may answer your question in this way, Mr. Ward, there is more involved in a distribution system than merely having a name, number, and description; that is, the tool that you use to perform your distribution supply support. What is involved actually is knowing who your customers are; in other words, having a market analysis and being able to get that

particular item in the right place at the right time and in the right quantity. Cataloging does make that process easy. It is a process, after you have got the right item, of getting the right item in the right quantity at the right place at the right time, which is actually the guts of the distribution system.

It is easy to summarize it in that way. I do not know whether it makes a clear picture or not.

If I may go on, the military have a problem of forces constantly shifting around. You have to start off with the planning and know what the planning is and tie your planning into the knowledge of what stocks you have spotted in what localities and be able to insure through procurement action, replenishment action, redistribution action, that you will be able to carry out your responsibility to have that material for the customer. So, that is why I answered your question by saying we have overcome the problem of cataloging through a lot of work.

There is no question that cataloging is a tool to make the job easier, but actually it is not the solution of this very deep and pertinent point of distribution supply support.

Mr. WARD. I agree with that. You can overestimate the cataloging.

Mr. BRODSKY. I think that is extremely important, too, because we are frankly concerned about the way cataloging has been oversold as a panacea for everything, including ulcers. We have got to put cataloging in its proper perspective.

These boys have had terrific difficulties because of a lack of good cataloging and standardization; but, as Commander Raymond has said, it is basically a tool. They have overcome the handicap of an inadequate tool there.

The answer does not lie exclusively in the sphere of cataloging. It lies in the much greater sphere.

Mr. ROBACK. We do not want to get too far away from the original question.

Commander RAYMOND. I am an old cataloger from way back. I really believe in cataloging. I want to emphasize that.

Mr. ROBACK. There was no point of overvaluing the cataloging process. The point was the lack of it, the lack of standardization which may complicate the distribution process, so much that under the present circumstances it might not be feasible for the General Services Administration to enter into the supply of certain military items, whereas in another case where standardization and cataloging were effective it might be feasible. I think that is a commonplace question.

Mr. BRODSKY. You have to relate it to the commodity under study, clips, paper, pencils, items of that sort. I think your question is very valid in perhaps another area, but not particularly germane to an area of paper towels, toilet paper, dishwashing compounds, toilet soap, et cetera.

Commander RAYMOND. If I may just carry that point on a little further, if there is one thing that has made a deep impression in my mind since being involved in this survey, it is this fact that it is impossible for anyone to make generalities in regard to a category, a type, or even an item name of material until you have actually dug down and obtained the specific items and obtained statistical data and facts, which we have obtained here in this survey.

Frankly, if I were in a top-level policy-making organization where I was responsible for decisions, I would not want to make decisions based upon generalities, but on the basis of factual surveys such as I think this is.

Mr. MACOMBER. That leads up to a question that I have wanted to ask. Let us assume that as a result of this study you are prepared to conclude that General Services Administration can assume supply responsibility for these items.

Will that conclusion have any validity beyond these items, at all; or, if you come to consider an extension, must you in every instance go back to the beginning, as you did in this case?

Commander RAYMOND. Frankly, the answer to that question has bothered me right from the start. I am sure that we can give the answer for these particular items. I even feel that possibly the answer might apply to other similar types of items. There are a whole host of them, maybe seven or eight thousand similar items that would fall within these particular classes that we have under discussion, but if you get into classes of nuts and bolts and hand tools I am rather doubtful that I would want to say that it applies to those classes. I frankly do not know.

I would hesitate to advise my superior, "Yes; our conclusions can apply across the board for all so-called common-use items."

It is impossible, as I have found in my cataloging work, to get anyone to agree on what you mean by common-use items or a technical item or a proprietary item.

Mr. MACOMBER. You do think from this study you might get some basic premises that would be applicable to related items, at least?

Commander RAYMOND. I would think so. I woud want to qualify that.

Mr. ROBACK. That would be as the committee described in one of its reports an "eclectic approach" to the supply problem.

Mr. DALY. Based on past experience in similar problems, may I say this? I feel, as a result of this study for this particular type of item, we will come up with certain conclusions. To follow your thought through, let us say that we do conclude that General Services Administration take over this group of items.

From the civilian side of the House I would be very reluctant to extend this for all types of items, although we would have ironed out many problems which would not make so great a survey necessary; but even in doing business with the civilian agencies, we take a good look at individual items before we say that the right way to handle the item is to put it in a warehouse. Maybe it would be better to handle the item on a schedule or a direct-purchase basis, or perhaps General Services Administration should not be handling the item at all.

I think many problems will be resolved as the result of this survey, but we supply people like to look at individual items before deciding to warehouse them.

Mr. WARD. In general, are these civilian agencies now well satisfied with the service they are getting from the Federal Supply depot system?

Mr. DALY. That is a very difficult question for me to answer, sir. I am looking around to see if anybody is here from another agency.

I will answer it this way, Mr. Ward: That we still have complaints. The complaints are few, as long as we give good service. Just as soon as we run into a backlog, as we did in some of our warehouses during the middle part of this year, the complaints mounted up.

From my general observation, the civilian agencies are satisfied with the quality of service as long as we can maintain prompt deliveries.

I have had very few complaints on prices for a long while.

At one time you know, we used to have many complaints on prices.

Mr. WARD. Then the back-order situation stems from what?

Mr. DALY. The back-order situation can stem from a number of things.

Mr. WARD. I mean it would not be inherent in this thing that we are talking about here: the identification of items and that sort of thing?

Mr. DALY. We would be vulnerable to the creation of a back-order situation unless we were very sure as to what the impact would be.

Part of our back-order trouble that came about in New York, for example, as I recall, was brought about by the fact that the military departments came to us with those local procurement items. And we, through our own negligence, in some cases did not get good requirements in advance and attempted to move forward too rapidly.

Mr. WARD. That generally is so.

Mr. DALY. Yes.

Mr. WARD. When Federal Supply or any other supply system does not get the requirements information accurately it simply cannot function properly.

Mr. DALY. Another factor in the back-order situation is the market condition in various industries. If you are used to getting your stock replenished on a 30-to-45-day lead time and something goes wrong, and that lead time jumps up to 90 and 120 days, you are in a back-order position, and there is nothing you can do about it.

The back-order position at the moment with Federal Supply Service is close to or below what we have established as our norm.

Mr. ROBACK. I would like to ask a general question aside from this particular matter.

Has the Munitions Board experienced any outside pressure by private organizations against this consideration of General Services Administration in military supply?

Mr. BRODSKY. The only pressure I can recall at the moment is in the opposite direction. For instance, Federal Supply Service had a schedule for furniture which was, as far as I know, highly satisfactory, particularly to the Navy Department. GSA found it necessary to cancel that schedule. We got considerable pressure from the furniture industry for us to try in turn to put pressure on General Services Administration to restore that schedule, so that we could use it.

Mr. ROBACK. I had in mind the circulation of some literature by, I think, the Quartermaster Association, of which the former Quartermaster General, Mr. Feldman, is the executive secretary if I am not mistaken. During the considera-

tion of the bill by this committee, it was proposed among other things to lift the statutory ceiling on the general-supply fund in order to facilitate the possible assumption of additional responsibility with regard to the military. There was a circulation of literature by Mr. Feldman among the Members of Congress which regarded the possible participation by General Services Administration as a very dire and disastrous thing.

I just wondered whether that has come up.

Mr. BRODSKY. I did not see that literature. As I recall, I think that Admiral Ring testified at the same time that Mr. Forbes did on the bill without regard to that literature.

Mr. WARD. I would like to ask about this: The subcommittee members at Elmendorf Field were disturbed to find different sizes of mimeograph paper used by the Air Force and the Army. And later it developed that the Quartermaster through its forms control agency was able to consolidate on sizes and save something like $800,000 a year.

Is there any collateral progress being made in the standardization field on these things that are listed here and which seem to vary so widely for the services? It looks like an obvious next move.

Does anybody know the answer to that?

Mr. FORBES. The answer to that is that the Standards Division of FSS and the Munitions Board Standards Agency now have under consideration this precise list of 124 items. I think I can safely predict that they will be taken as a pilot study in this field of administrative supplies for purposes of standardization. What the outcome will be I am not foolish enough to predict.

Commander RAYMOND. I was going to say the same thing. Admiral Ring asked me to pass over to the Standards Agency a master working sheet of all of the service information as well as FSS with the idea of attempting to get further standardization. That applies to everyone in military or civilian, as anyone can see from looking down these lists.

The only thing is that sometimes it is not obvious that it will be a tough job to do. Take paper towels. You have different-size paper towels and then you have different-size dispensers. It will be a slow process to bring about standardization, but as long as they recognize the problem they can work with it. It may take 10 to 20 years to work out the problem.

Mr. KENNEDY. With regard to the servey that you are engaged in, how did that come about? Was that through a dissatisfaction with the present methods, or was it completely exploratory in the sense of being just a little skull rubbing among the departments? What was the genesis of it?

Mr. FORBES. I think I should answer that and not put Commander Raymond and Mr. Daly on the spot.

For years—and I mean years—the question has been bandied about: Should not one agency or branch of the Government handle common-use supplies? The answer always seems to be "Yes."

The fact of the matter is that, until this task force was set up under the able leadership of Commander Raymond and Mr. Daly, no one has ever attempted to find out what the scope, ramification, volume, and complexity of the problem was.

We, in the area of understanding committees, have discussed this thing many times.

Members of the Congress of both parties have been interested in it for years.

The Bonner subcommittee is particularly interested in it.

The Bonner subcommittee last July got the Secretary of Defense and the Chairman of the Munitions Board to agree that a study would be initiated. And they, like all of the rest of us, said, "Yes; it seems as though there should be one central supply system handling common-use items."

However, the difficulties involved in the study of these 124 items which are in the common-use category indicates that the problem is not one which can be solved by the sweep of a hand or by a directive or a fiat, but one which requires careful study.

And so I hope this committee will realize that, although we have approached this with an abundance of caution, we are doing it on the ground that it would be foolhardy to make a decision without the facts to back it up.

If General Services Administration should have been foolhardy enough to accept an assigment from the military to handle all common-use items, the result would probably have been disastrous. On the other hand, I am hoping that the groundwork laid in this small sampling of the problem will resolve, in general, a lot of the underlying basic problems which apply to all common-use

items; and, therefore, when a decision is reached on this group, we can thereafter progress much faster.

Basic to this whole study also is the problem of duplicate supply systems, duplicate inventories, duplicate staffs handling common-use items and buying common-use items.

As a taxpayer, I am not concerned with what the task force recommends or what the final decision will be. If it seems best in the interests of the taxpayers that the military should handle these on behalf of the civilians, I will be content. If the reverse conclusion is reached, then I think it is up to the General Services Administration to bend every possible effort to do a good job.

Mr. WARD. Is any progress being made on this column 8 about the inventories on hand? Is that coming along with the rest of the study?

Mr. DALY. Column 8 is not only inventories on hand. It is on hand and on order.

Mr. WARD. Yes.

Mr. DALY. We have statistics on that.

Mr. WARD. That has been compiled for all of these items, for all of the services, but not at the post, camp, and station level; is that right?

Commander RAYMOND. This includes all knowledge of inventories in the centralized system.

Lieutenant Colonel MCKNIGHT. It does not include posts, camps, or stations.

Mr. BRODSKY. I would like to fully and enthusiastically endorse Mr. Forbes' last statement. I think it is important.

I think, as Mr. Forbes stated, for the first time we have really moved ahead in an area in which we know that we will be able to sit back and say, "Research has gone into this thing, and the results attained will speak for themselves."

In the past we have all felt that greater unification, more active moves toward a Federal supply system were necessary. Without the basic data on which to base it, we stood the risk of taking moves which might bring chaos from disorder, rather than bringing complete order.

I think Commander Raymond has indicated to you people today that the Munitions Board's staff has approached this problem objectively and with a will to get something done, not with a will to find roadblocks. They have overcome roadblocks. There have been many that we have met with in this study.

Nobody is here to tell you that it has been a bed of roses.

The education within the Defense Department to get people to agree not only to work among themselves but to work with General Services Administration and to accept General Services Administration, has been not an easy task.

I feel that I have played some small part in getting the Defense Department to recognize the need for moving ahead with General Services Administration and for resolving these problems.

I know that the study has been a long one. I cannot, however, express any great regrets about it. I think that inevitably the techniques developed, as well as the information developed in this study, will make all of the subsequent studies take just a fraction of the time that this one has taken. But the only way we can move ahead in any of these areas is not on the basis of conjecture but on the basis of the compilation of the facts and then the attainment of the proper solution, whether that solution be the military to do it for the civilian or the civilian to do it for the military. But if we desire to approach the problems on the basis of what is good for the taxpayer and what will at the same time attain efficiency and economy throughout all of our operations, we have got to follow the approach that Mr. Daly and Commander Raymond have made in this study.

Mr. ROBACK. There is one thought that occurs to me. It was pointed out that if the results of this study are positive, those results would not necessarily apply to other areas of common-use items. By the same token, if the results of the study are negative, they ought not to be cited as reasons why other areas should not be studied.

Mr. BRODSKY. That is a very valid statement.

Mr. ROBACK. I think we should keep that in mind, lest there be a tendency if the results are negative to regard the particular area of problems as finally decisive, so far as consideration is concerned.

Mr. DALY. May I make a statement in that connection?

In the selection of these items, as Commander Raymond and I have said before, we tried to select a very representative group of common-use items of the type that everyone had in mind when they spoke of General Services Administration giving supply support.

In the initial phases of this we had other items included that we immediately dropped, because we felt there were complications in connection with handling those items that would make it difficult to complete this study.

I think, for example, we had a couple of items in there where one military agency stocked it and another handled it in an entirely different way.

So we got that type of item out of our minds so that we could concentrate on what we considered truly common-use items and probably would not run into the situation that you suggested.

Commander RAYMOND. Frankly, I can only give an opinion. I think in these particular classes of 29, 51, 53, and 54 that we have representative items. I think that possible conclusion might apply to any one of those four classes, but again, as I indicated previously, if you are going to take the class 41, hand tools, or 42 and 43, nuts, bolts, screws, and washers, or you get into sheet, bar, and rod stocks, it might not apply. You are getting into another area, rather than common-use administrative type items.

Mr. DALY. That is an excellent point, because we, in General Service Administration, have trouble in that area already. Hand tools are a very good example. You can say a hammer is a hammer, but if we are supplying hammer to an office that is going to use it occasionally for ripping open a box or hammering a nail in the wall, it is different than if you are going to supply a hammer to an expert carpenter. That is an entirely different type of hammer, not even the same item.

So hand tools and hardware are two areas that cause us no end of trouble right now within the civilian agency, but, as Commander Raymond says, in the broad sense of these common-use items, the detergents, soaps, paper clips, paper, dishwashing compounds, they are the same sort of items that we can resolve on some reasonable basis without getting into a lot of technical discussion.

Mr. WARD. If requirements determination is one of the key things, which I am sure everyone agrees that it is, will this study get at the heart of that, as to how they are keeping their records and going about requirements determination?

Commander RAYMOND. I will answer that by saying "No." This is purely only a distribution survey. As a matter of fact, I regard the title "Distribution" as rather a misnomer, too. It is a survey to achieve the two objectives previously stated.

Mr. WARD. There will be no comments at all with respect to determination of needs?

Commander RAYMOND. Other than as we bring out these indirect relationships bearing on cataloging, specifications, local procurement or procurement policies, and practices; why, determination of requirements is tied into plans, it is tied into central stock control operations; and, frankly, I feel all those other functional areas should be explored very carefully and very thoroughly before you push a button finally to go either way.

Mr. DALY. Is it not true that in the military service you distinguish between the distribution and function and the gathering of requirements?

Commander RAYMOND. We do, except that more and more within the military we are moving toward a realization that supply logistics—and I mean this to apply just to matériel, disregarding the facility or personnel logistics—just supply logistics—a recognition that supply logistics must be integrated for requirements, for procurement, and for the distribution functions.

Since I have been a member of the Department of Defense, I have had an opportunity to visit and observe at close hand and hear the logistics problems of all four of the military services I feel that the concept of the Navy supply plan and the Navy supply system is the correct type of integration for all of the supply functions and supply logistics categories and is the type of integration that eventually everyone must come to.

Mr. WARD. Without good requirements, then you cannot have either good procurement or distribution.

Commander RAYMOND. Without good procurement, requirements are meaningless and without good distribution all of your previous work may fail.

Mr. KENNEDY. Gentlemen, that concludes the conference.

(Whereupon, at 12:35 p. m., the work group adjourned.)

San Francisco Exhibit 2A

JULY 22, 1952

NATIONAL COFFEE ASSOCIATION,
New York, N. Y.

GENTLEMEN: The Intergovernmental Relations Subcommittee (Bonner subcommittee) of the Government Operations Committee, House of Representatives, has been studying various aspects of military supply management for the past 1½ years.

One general subject of concern to the subcommittee has been the commercial-type activities such as clothing manufacturing, coffee manufacturing, paint manufacturing, and so forth.

With respect to coffee manufacturing, it is noted that the military services (Army, Navy, and Marine Corps) have a number of roasters in various parts of the country, and officers have indicated several reasons for the services having their own plants; i e., economy, guaranteed supply, and guaranteed quality.

In evaluating these statements, this subcommittee would appreciate information from you if possible as follows:

1. Number of commercial roasting plants in the United States.
2. Number of individual roasters by States or geographical areas.
3. Capacity of commercial plants.
4. Capacity of commercial concerns to absorb Government business if practicable.
5. Cost of roasting, packaging, overhead, etc., in commercial plants.
6. Is it practicable for a Government agency to draw up a satisfactory specification for the blend of coffee it needs?
7. Is it practicable to have adequate inspection to insure delivery of the specified product?
8. Would your association recommend that the Government—
   (*a*) Manufacture its own coffee?
   (*b*) Buy commercially on its own specification?
   (*c*) Buy its own coffee and contract for roasting and packaging?
   (*d*) Use some other method?

Obviously, this subcommittee has no interest other than that of economy and efficiency.

Your comments on the above will be appreciated. If you have a representative in the District of Columbia, it will be appreciated if he will call National 3120, extension 1339 or 1430.

Sincerely yours,

RAY WARD, *Staff Director.*

San Francisco Exhibit 2B

AUGUST 6, 1952.

MR. RAY WARD:
Staff Director, Intergovernmental Relations Subcommittee of the Committee on Expenditures in the Executive Departments, Congress of the United States, House of Representatives, Washington, D. C.

DEAR SIR: This is in reply to your letter of July 22.

We will endeavor to answer all of your questions in the same order as you have stated them in your letter and give you all the information we have available on this subject.

1. There are approximately 1,256 commercial roasting plants in the United States.

2. We enclose herewith copy of the Tea and Coffee Buyers' Guide which shows the location by States of the coffee roasters in the United States.

3. Approximately 20 million bags of green coffee per year. National consumption is running something in excess of 20 million bags and we know there is a roasting capacity for this quantity.

4. In our opinion the commercial coffee roasters of the United States have sufficient capacity to absorb Government business and even if they did not, it would not be difficult to increase this capacity to take care of additional Government business.

5. This association is unable to furnish any information on the cost of roasting, packaging, etc., of coffee in a commercial way. Such information could

possibly best be obtained by requesting bids from a group of reliable coffee roasters. While such costs are nominal there would be considerable differences depending upon type of package, manner of handling green coffee, etc.

6. Yes, regardless of whether the military services continue with their present policy of buying their coffee in the green bean and roasting it in military plants, or whether they change the policy and buy their coffees in roasted form. As you are aware, the United States Army now has a specific blend for all branches of the military service. The blend consists of about two-thirds Strictly Soft Santos 4's, or 5/6's, and about one-third Genuine Excelso Colombian Milds.

7. We assume that this question refers to the inspection of coffees purchased in roasted form. In that event the answer must be a qualified "yes," and as the question is closely related to 8 (*b*), it is being covered in the answer to this latter question.

8. We believe that the present procedure of buying the coffees in the green bean and having them blended, roasted, ground, and packaged in the plants of the United States Army and United States Navy is by far the soundest policy from the standpoint of at all times insuring a uniform standard of quality in the blend. Coffee is such an important part of the military diet that the members of our Armed Forces are deserving of fine coffee always.

Each and every lot of green coffee which is tendered for delivery against United States Army purchase contracts is skillfully and throughly inspected and tested by the world's foremost coffee experts. This work is done under the direction and supervision of the United States Army coffee advisory committee of the National Coffee Association, which committee consists of a chairman, who is located here in New York, and two other members, one of whom is located in New Orleans and the other in San Francisco. All three are qualified experts. The members of the advisory committee have selected and placed on their lists of official United States graders and classifiers only the best qualified experts at each of those three ports.

Each time a lot coffee is tendered for delivery, the contractor sends a sampling order to the association. Samples are then drawn by licensed expert samplers, acting for the National Coffee Association. Each lot of coffee is passed upon by a panel of three men, who are selected for this test by the regional member of the advisory committe. Each of the three men chosen is an outstanding expert in judging the quality of the particular growth which is to be inspected and tested.

Those men inspect and grade the coffees in the green bean and determine its exact grade and other characteristics, such as size of bean, color and solidity of bean. Samples are then roasted in our sample roaster and the beans are inspected for their roasting quality. The roasted beans are then ground and tested for "cup quality."

All coffees which do not conform fully to the United States Army contract specifications are rejected and the supplier is obliged to furnish other coffees which are suitable. This procedure definitely insures that no coffees of substandard quality are received at the military roasting plants.

No grader or classifier ever serves on any test in which he, or his company, is either directly or indirectly interested in the coffees to be passed upon.

Either the United States Army or the contractor has the right to appeal the decision of the graders and classifiers. All such appeals must be submitted in writing to the regional representative of the United States Army Coffee Advisory Committee, setting forth in detail the specific point, or points, on which the appeal is based. Three other graders and classifiers are then selected, and the points in dispute are submitted to the appeal graders and classifiers.

This inspection and appeal system not only guarantees that the Army will at all times receive coffees which fully conform to the contract specifications but it also guarantees eminently fair treatment to all suppliers. The fact that all suppliers know that their competitive bidders will not under any circumstances be allowed to deliver coffees which are poorer than the contract specifications has unquestionably resulted in more extensive bidding on the United States military requirements than would otherwise have been the case.

By having the coffees blended, roasted, ground, and packaged in the plants of the United States Army and the United States Navy by its own skilled personnel, insures that all packages of roasted coffees are of the same standard of quality.

The volume of coffees which are processed in a roasting plant is a very important factor in determining the processing cost per pound. As practically all of this work is done by machinery, with the exception of the handling of the green coffees into the plants and the roasted coffees out of the plants, there is no reason why the cost of this work in a military plant should be any higher than

the cost in the most efficient commercial plants. As the military plants package and ship their roasted and green coffees in 50-pound laminated textile bags, the military plants should and undoubtedly do have a decided advantage in the matter of cost of that operation. Containers of that size are not used to any extent in commercial practice, and consequently that operation would have to be done largely by hand.

With regard to question 8 (b), it is doubtful that the military services could purchase roasted coffees, the equal of their present specifications, as economically as it is now being produced. The supplier of roasted coffees would, of course, add at least a reasonable profit to all of his costs. The roasting of coffees for the military services would in all probability be subordinated to the company's regular non-Government business. This, in turn, would result in the use of plant facilities for the processing of coffees for the military services only at those times which best suited the convenience of the supplier.

There would always be the temptation to use the plant facilities for military requirements at times when the company's regular business is dull, thereby building up a surplus floor stock of roasted coffee, with the result that the coffee would be standing around growing stale before it is shipped.

The production schedule to meet the varying requirements of the Armed Forces, particularly at times of heavy production, could be much more efficiently and effectively controlled in the military plants.

It would not be feasible to stockpile roasted coffee unless it was packed in expensive vacuum containers. Coffees in the green bean could be stockpiled. Aside from the extremely important factor of insuring a future adequate supply of coffees for the Armed Forces, green coffees have been stockpiled by the United States Army which later proved to be quite profitable marketwise.

It would be difficult to establish a satisfactory inspection system whereby all deliveries of roasted coffees could be properly tested. Unless the coffee is packed in vacuum containers, by the time it reaches its destination and samples drawn and forwarded to the point of inspection in New York, the coffee would be too stale to evaluate the true merits of the blend, except in instances where it was obvious that the green coffees used in the blend were substantially below contract specifications.

It would not be very satisfactory to have the supplier send samples direct to our inspection office, because we could not certify that the samples so tested were representative of the coffees actually shipped. As there would no doubt be several suppliers located in different parts of the country, it would hardly be feasible to have our own representatives take samples from the packaging lines at frequent enough intervals to feel convinced that all coffees being shipped against the contract conform fully to the specifications.

All of the foregoing statements are based on the assumption that the military contracts for roasted coffees could not be placed with carefully chosen firms but would have to be awarded after competitive bidding.

The plan proposed in No. 8 (c) would be an improvement over No. 8 (b) but would not be as satisfactory as the practice now being employed by the military establishments. There would be the problem of making sure that other inferior coffees were not being substituted for some of the United States Army green coffees. Again, this would not be a problem in the case of the reputable supplier, but it could be a serious problem in dealing with the other type of supplier. It would be necessary to have a Government man, or men, stationed in the plant and follow the coffees through the various stages of processing.

The only other method would be to test samples of the roasted coffees, and this would entail the same problems which have already been enumerated herein.

It is quite obvious, from the comments herein, that we believe No. 8 (a) to be by far the best policy to be employed by the military establishments in providing for their coffee requirements.

We trust we have given the information you desire. If you wish, we can arrange to have an officer of the association and the head of the Army Coffee Advisory Committee come to Washington.

Very truly yours,

EDWARD ABORN, *President.*

San Francisco Exhibit 2C

National Coffee Association of U. S. A.,
New York, N. Y., August 28, 1952.

Mr. Ray Ward,
Staff Director, Intergovernmental Relations Subcommittee of the Committee on Expenditures in the Executive Departments, Congress of the United States, House of Representatives, Washington, D. C.

Dear Sir: With further reference to your letter of July 22 and our reply dated August 6, 1952, we wish to advise that we have made further study of the problems involved.

At his request we also have consulted with Admiral Morton L. Ring of the Munitions Board, whom we understand has been studying the whole subject of the procurement of coffee by the military. As a result we wish to amend our previous comments as follows:

1. We endorse the proposed plan of the Armed Forces to continue the operation of four roasting plants; viz, Brooklyn, Atlanta, Oakland, and Seattle.

2. We approve the plan to vacuum-pack all Armed Forces coffee in 20-pound vacuum containers. This procedure is the only way to insure an adequate supply of fresh coffee at all points of consumption regardless of the location of the roasting plants and variations in requirements.

3. In the event the military establishments should require processing operations beyond the capacity of the four plants referred to, such additional processing services should be obtained from the coffee industry under a plan to be developed in cooperation with the National Coffee Association of the U. S. A.

4. The foregoing recommendations, as well as those contained in our letter of August 6, apply only to coffee for actual consumption in beverage form by the Armed Forces.

All coffee sold in dry form in commissary stores should be purchased from the industry already roasted and in the customary types of pack used for consumption in the home. Armed Forces roasted coffee should be dispensed only as a beverage and not sold in dry form in competition with private industry.

Furthermore, with the four military plants packaging only in 20-pound vacuum tins, the Armed Forces would hardly be in a position to properly package and distribute roasted and ground coffee for home consumption.

We strongly urge the discontinuance of the sale at retail of Armed Forces coffee in direct competition with private industry, which practice is strongly condemned by this association.

If we can be of further service to your committee, please call on us.

Sincerely yours,

Edward Aborn, *President.*

San Francisco Exhibit 3

Veterans' Administration,
Washington, D. C., July 25, 1952.

Mr. Ray Ward,
Intergovernmental Relations Subcommittee, Committee on Government Operations, New House Office Building, Washington, D. C.

Dear Mr. Ward: This is in response to your request for information about the coffee-purchasing methods employed by the Veterans' Administration. It is my sincere hope that the data in this letter will prove useful to you in your work.

A few general remarks concerning the method we employ may be in order. All of our coffee is purchased by our central office in Washington as a result of competitive bids. Contracts are let for a period of 3 months with delivery specified to approximately 155 Veterans' Administration installations located throughout the United States. The annual quantity purchased varies from 4½ million to 5 million pounds. The bid invitation is designed to allow the bidders to quote prices on a single station or on any number of stations. In

addition, the installations are grouped geographically and the potential supplier can bid a single aggregate price for all stations in one group.

The coffee must conform to Federal Specification HHH–C–571 and, in addition, meet our specification requirement. Copies of both specifications are enclosed. You will note that we require 60 percent Colombian and 40 percent Santos but allow the supplier to furnish any one or a combination of several growths. This specification was adopted only after consultation with industry representatives and Government officials familiar with the caffee business. Our latest solicitation resulted in 31 responsive bids, and be awarded contracts to 14 firms to supply coffee during the 3 months beginning July 1, 1952.

You will note that our specification also requires that the coffee must be shipped within 48 hours from the time of roasting and be delivered within 5 days after roasting. Each installation is allowed to specify whole bean or ground roasted coffee. The delivery is made in a 50-pound container, either carton or sack. It has been our experience that this size most nearly meets the needs of the majority of our hospitals. The use of larger containers results in a greater loss of freshness and flavor and increases handling difficulties. From the best available sources of information, we have learned that the difference in price between 50- and 100-pound sacks is approximately a quarter of a cent a pound. We do not feel that this small reduction compensates for the increased loss of flavor.

Listed below is certain information relating to our coffee purchased during the last five consecutive quarters. The figures shown in the price range column and the average price per pound column represent the net cost to the Veteran's Administration of roasted coffee delivered f. o. b. each hospital in the United States.

	Quantity (pounds)	Price range per pound	Average price per pound (50-pound cartons or sacks f. o. b. destination)
First quarter, fiscal year 1952	1,144,300	$0.6261 to $0.7215	$0.654108
Second quarter, fiscal year 1952	1,144,300	$0.63 to $0.6720	.64121
Third quarter, fiscal year 1952	1,127,730	$0.6178 to $0.6710	.642875
Fourth quarter, fiscal year 1952	1,173,550	$0.6345 to $0.6972	.65666
First quarter, fiscal year 1953	1,167,553	$0.6410 to $0.7083	.67536

The slight price increase shown for the current quarter is due to the new specifications being used for the first time. These specifications insure a specific blend of coffees and eliminate the use of inferior growths used in small quantities which cannot be detected by cup test.

I have also enclosed an abstract of coffee shipments which will be made during the current quarter. This abstract illustrates the number of contractors, which items they are delivering, the estimate of coffee destined for shipment to each Veterans' Administration hospital and center, as well as the price for each destination.

Our coffee specifications are basically similar to those being used by the Department of Defense in their purchases for the Army, Navy, and Air Force. They, too, specify only Colombian and Santos beans. They do accept certain additional Colombian growths and use a 30-percent Colombian coffee in their blend.

During your telephone conversation with Mr. Harrison, you asked if we had received any complaint concerning our methods of purchasing coffee. In accordance with your request, I have enclosed copies of a letter from Representative Norris Poulson concerning the Smart & Final Co., of Los Angeles, as well as our reply of March 14, 1952.

Very truly yours,

JAMES N. O'NEIL, *Director, Supply Service.*

COFFEE

(Applicable Federal Specification HHH–C–571)

Shall be whole-bean coffee, thoroughly cleaned and stoned, freshly roasted in accordance with good commercial practice and without the addition of water other than a sufficient quantity to prevent burning.

Paragraphs H-ld and H-eld (1) of Federal Specification HHH–C–571 are not applicable to this bid invitation.

Roasted whole-bean coffee shall be produced from green coffee of the following description and blend:

> Sixty percent Colombian of usual good quality, of any one or a combination of the following growths: Medellin Excelso, Armenia Excelso, Sevilla Excelso, Manizales Excelso.
>
> Forty percent Santos grading 3's and 4's, Bourbon, medium to good bean, good roast, strictly soft, solid, bean, greenish color and good cup quality.

The coffee shall be shipped within 48 hours from time of roasting, and each container shall be tagged or otherwise marked to show date of roast. All deliveries shall be made at the hospital within 5 days from time of roasting and from 1 to 3 days in advance of the scheduled delivery date.

In addition to the above roasting date, shipping containers shall be marked to show name of shipper, shipment number, commodity, size, brand, if any, and contract number, and shall be consigned in each instance f. o. b. destination indicated in the bid invitation.

If so requested by the Veterans' Administration, coffee shall be furnished ground for any one or more stations without additional cost to the Veterans' Administration.

Coffee shall be packaged in any one of the following methods:

1. Shall be packed and delivered in 50-pound net, clean, sound and well-made cartons (two wall corrugations with three layers of paper board) that will stand a resistance bursting test of at least 200 pounds to the square inch; with new, clean, sound and well-made bag liner of oil-proofed, Krinkle-Krepe kraft paper or vegetable parchment paper of substantial strength and proper size, opened to provide a square bottom to fit into corners of the bottom of the carton; the open end of the bag to be effectually closed by folding or sealing, in a manner to prevent spilling and to afford the coffee thorough protection against contamination and deterioration. Carton to be securely and effectually sealed and bear regular commercial labels.

2. Shall be packed and delivered in 50-pound net, new 5-ply multiwall bags (4-ply kraft and 1-ply heavy paraffin paper) (closure may be wire tie or sewn). Paper container shipping bag shall meet the requirements of consolidated freight classification for roasted coffee.

3. Shall be packed and delivered in 50-pound net, new burlap bags with waterproof kraft crepe interliners, the liners to be 35-pound to 45-pound basis weight kraft, having 33-percent stretch with approximately 15-percent paraffin treatment.

NOTE.—This specification should be retained in your files for future reference purposes.

APRIL 2, 1952.

CENTRAL OFFICE, VETERANS ADMINISTRATION,
SUPPLY SERVICE,
Washington, D. C., June 16, 1952.

ABSTRACT OF DROP SHIPMENT CONTRACTS FOR COFFEE FOR THE FIRST QUARTER OF THE FISCAL YEAR 1953

Contracts for coffee to be furnished in accordance with the attached delivery schedule and Federal Specification HHH–C–571 during the period beginning July 1, 1952, and ending September 30, 1952, have been awarded to the following concerns at the prices indicated:

"S" V1001P–13974:
Blue Ribbon Products Co., Inc., Sixth and Natoma Streets, San Francisco, Calif.
Date of contract: May 8, 1952. Discount: 2 percent, 10 days; 1½ percent, 20 days; 1 percent, 30 days.
Coffee: Group D.
Items: 161 and 169.

"S" V1001P–13975:
Richheimer Coffee Co., 1127 North Halsted Street, Chicago, Ill.
Date of contract: May 8, 1952. Discount: 1 percent, 20 days.
Coffee: Group C.
Items: 102, 103, 106, 107, 108, 109, 111, 112, 114, 115, 117, 118, 119, 121, 122, 126, 127, 128, 132, 133, 134, 135, 138 to 145 [1] inclusive, 147,[1] 148,[1] and 149.[1]

"s" V1001P–13976:
Coffee Corporation of America, 4401 South Western Boulevard, Chicago, Ill.
Date of contract: May 9, 1952. Discount: 1 percent, 20 days.
Coffee: Group C
Items: 99, 110, 113, 116, 120, 124, 129, 131, 136, and 137.
Coffee: Group D.
Item: 159.

"s" V1001P–13977:
The Dilworth Co., 1714 Chicago Avenue, Post Office Box 2449, Orlando, Fla.
Date of contract: May 9, 1952. Discount: 1 percent, 10 days.
Coffee: Group B.
Items: 57, 63, 65, and 72.
Coffee: Group C.
Items: 100, 123, and 125.

"o" V1001P–13978:
Smart & Final Co. Manufacturing Division, 4520 Colorado Boulevard, Post Office Box 1151, Los Angeles, Calif.
Date of contract: May 12, 1952. Discount: None.
Coffee: Group D.
Items: 151, 157, 160, 162, 163, 164, 165, 166, 167, 172, 173, 177, and 180.

"s" V1001P–13979:
Wood Coffee Co., Inc., Post Office Box 1513, Tacoma, Wash.
Date of contract: May 13, 1952. Discount: None.
Coffee: Group D.
Items: 152, 153, 154, 155, 156, 158, 168, 170, 171, 174, 175, 176, 178, 179, 181,[1] and 182.[1]

"s" V1001P–13980:
Dannemiller Coffee Co., 116 Thirty-ninth Street, Brooklyn, N. Y.
Date of contract: May 13, 1952. Discount: None.
Coffee: Group B.
Items: 55, 56, 61, 62, 79, 86, 88, 90, 94,[1] 95,[1] and 97a.[1]
Coffee: Group C.
Items: 101, 104, and 105.

"o" V1001P–13981:
Jewett & Sherman Co., 106 West Florida Street, Milwaukee, Wis.
Date of contract: May 13, 1952. Discount: None.
Coffee: Group C.
Item: 130.

"s" V1001P–13982:
The Euclid Coffee Co., 1300 West Ninth Street, Cleveland, Ohio.
Date of contract: May 13, 1952. Discount: None.
Coffee: Group C.
Item: 146[1] (see par. 10, p. 5).

"o' V1001P–13983:
Blue Plate Foods, Inc., 1315 South Jefferson Parkway, New Orleans, La.
Date of contract: May 13, 1952. Discount: None.
Coffee: Group B.
Items: 54, 66, 71, 73, 74, 75, 81, 84, 85, 89, 93, and 97.[2]

"s" V1001P–13984:
Monogram Coffee Co., 3918 Gravier Street, Post Office Box 7401, New Orleans, La.
Date of contract: May 14, 1952. Discount: None.
Coffee: Group B.
Items: 53, 59, 68, 69, 70, 76, 77, 78, 80, 82, 83, 87, 91, and 92.

"s" V1001P–13985:
L. J. Dittmann Coffee Co., 500 Tchoupitoulas Street, New Orleans, La.
Date of contract: May 13, 1952. Discount: 2 percent, 30 days.
Coffee: Group B.
Items: 58, 60, 64, and 96.[2]

"s" V1001P–13986:
Fleetwood Coffee Co., 246 East Eleventh Street, Chattanooga, Tenn.
Date of contract: May 13, 1952. Discount: 1 percent, 20 days.
Coffee: Group B.
Item: 67.

"s" V1001P–14012:
Nathor Coffee Roasting Corp., 2–4 Gouverneur Lane, New York, N. Y.
Date of contract: May 27, 1952. Discount: 1 percent, 10 days.
Coffee: Group A.
Item: 52 summary for furnishing all installations listed under items 1 to 51[1] inclusive at $0.6410 per pound.

"o" Contractor represents that the aggregate number of employees of the firm, and its affiliates, is more than 500.

"s" Contractor represents that the aggregate number of employees of the firm, and its affiliates, is less than 500.

Prices stated in this abstract are based on shipping rates in effect on April 18, 1952. Should pertinent shipping rates be revised, either upward or downward, subsequent to said date, by action of a Federal or State agency having jurisdiction in such matters, the contractor will show, as a separate entry on his final voucher, the total amount of increase or decrease resulting from such revision which amount the Government will credit or debit to the contractor's account as the revision in rates may justify. All pertinent information necessary to substantiate the entry must be given with specific mention of the title of the rate schedule in effect at the time of shipment.

Coffee to be furnished under these contracts is foreign and was contracted for under the provisions of M–11–200 106 (J). Contract number should be shown on voucher as authority for the expenditure.

Payment shall be made by the receiving hospitals, centers, and domiciliaries in accordance with the terms of the contract promptly upon receipt of properly prepared and approved Standard Form No. 1034, Public Voucher for Purchases and Service other than Personal.

Hospitals, centers, or domiciliaries desiring to increase or decrease quantities specified for particular deliveries will submit their request direct to the contractor without reference to central office, citing paragraph 8b of the supplementary general provisions as authority. Paragraph 8b of the supplementary general provisions is as follows:

8b. *Quantity requirements.*—The quantity shown after each item in the invitation for bids is the estimated quantity required, and the bidder agrees to furnish an additional quantity of any item, the contract for which is awarded him, up to 25 percent of the estimated quantity. The Veterans' Administration reserves the right to limit purchases to 75 percent of the estimated quantity. Additional quantities, if any, may be ordered up to and including the last date on which the contract is effective.

NOTE.—In addition, any request for cancellations will be submitted direct to the contractor; copies of such request should be forwarded to this office. All requests for increases, decreases, or cancellations of quantities should cite the contract number.

Communications concerning delay in deliveries or regarding failure to receive certified vouchers shall be addressed to the contractor and not to central office.

Testing.—Test of the coffee will be made of July 1, August 1, and September 1, 1952, deliveries prior to shipment and coffee received is to be placed in stock for use.

Tests will also be made in Washington, D. C., of coffee from the July 15, August 15, and September 15, 1952, deliveries. Hospitals, centers, and domiciliaries notified by letter will therefore forward a ½-pound sample from deliveries designated immediately to: Veterans' Administration, receiving clerk, room 1549, Munitions Building, Washington 25, D. C., Attention: Chief, Procurement Division, Supply Service. A letter, copy of which is to be enclosed with sample, should be forwarded to central office, identifying the sample by contract number, date received, schedule delivery date, and contractor. Samples from hospitals, centers, or domiciliaries west of the Mississippi River are to be sent by air mail.

Samples shall be packed in absolutely clean, airtight tin, or glass mailing containers, free from foreign odors and moisture. Paper sacks are not desirable for use in submitting samples unless packed in tins.

Care should be taken to submit samples in accordance with these instructions in order that samples may be received in such condition as to allow an accurate test of the commodity as received at the hospitals, centers, and domiciliaries.

In addition to the foregoing, if any hospital, center, or domiciliary believes that any item delivered is not in compliance with specifications, it is requested that samples be forwarded immediately as above directed, with covering letter to Chief, Procurement Division, Supply Service, Veterans' Administration, Washington 25, D. C., for consideration.

SPECIAL NOTE, ITEM 146.—This item covered by contract V1001P–13982 is Cincinnati, Ohio, and is listed as a tentative requirement. It will, therefore, be necessary that Cincinnati, Ohio notify this office, 1 month in advance, if possible, if they intend to purchase any of the quantity covered by this contract so as to allow time for Government inspection of the green coffee stock at the Euclid Coffee Co.

All hospitals, centers, and domiciliaries listed herein are delegated authority to default contractors on scheduled deliveries where the contractor fails to perform within the time required. The hospital, center, or domiciliary may grant extensions of time or terminate the right of the contractor to proceed further under the scheduled delivery, declare the contractor in default, and purchase elsewhere against his account. It must be emphasized that this delegation of authority only applies to scheduled deliveries and not to contracts. In cases where contractors are defaulted on scheduled deliveries copies of all correspondence will be forwarded to Central Office, Attention Chief, Procurement Division, Supply Service.

Contracts V1001P–13975, V1001P–13976, V1001P–13977, V1001P–13978, V1001P–13979, V1001P–13980, V1001P–13983, V1001P–13984, and V1001P–14012 are regulated by the provisions of Public Act, No. 846, Seventy-fourth Congress, commonly known as the Walsh-Healey Public Contracts Act.

Ceiling prices.—The contractor agrees that the prices invoiced hereunder will not exceed the lower of (i) the contract prices or (ii) any applicable ceiling prices established by the Office of Price Stabilization, or other authorized Government agency as of April 18, 1952.

A. J. HARRISON,
Chief Procurement Division
Supply Service.

Coffee (supply contract)

GROUP A

Coffee for the following Veterans' Administration hospitals, centers, and domiciliaries, complying with Applicable Federal Specification HHH–C–571 (excerpt of which is enclosed), and in accordance with the delivery schedule:

Item No.	Supplies or services		Quantity (number of units)	Unit	Unit price
	Veterans' Administration hospitals, centers and domiciliaries	Deliver to destination indicated			
1	Albany, N. Y.	F. o. b. Albany, N. Y.	4,500	Pound	$0.641
2	Aspinwall, Pa.	F. o. b. Aspinwall, Pa.	8,800	do	.641
3	Batavia, N. Y.	F. o. b. Batavia, N. Y.	2,400	do	.641
4 [1]	Bath, N. Y.	F. o. b. Bath, N. Y.	13,950	do	.641
5	Beckley, W. Va.	F. o. b. Beckley, W. Va.	1,000	do	.641
6	Bedford, Mass.	F. o. b. Bedford, Mass.	13,500	do	.641
7	Bronx, N. Y.	F. o. b. Fordham, N. Y., for store-door delivery, 130 W. Kingsbridge Rd., Bronx 63, N. Y.	12,450	do	.641
8	Brooklyn, N. Y.	F. o. b. Brooklyn, N. Y.	7,650	do	.641
9	Buffalo, N. Y.	F. o. b. Buffalo, N. Y.	4,500	do	.641
10	Butler, Pa.	F. o. b. Butler, Pa.	2,150	do	.641
11	Canandaigua, N. Y.	F. o. b. Canandaigua, N. Y.	13,800	do	.641
12	Castle Point, N. Y.	F. o. b. Beacon, N. Y.	6,000	do	.641
13	Coatesville, Pa.	F. o. b. Coatesville, Pa.	13,200	do	.641
14	Erie, Pa.	F. o. b. Erie, Pa.	1,300	do	.641
15	Fort Howard, Md.	F. o. b. Sparrows Point, Md.	3,600	do	.641
16	Huntington, W. Va.	F. o. b. Huntington, W. Va.	2,500	do	.641
17 [1]	Kecoughtan, Va.	F. o. b. Phoebus, Va.	13,500	do	.641
18	Lebanon, Pa.	F. o. b. Lebanon, Pa.	12,000	do	.641
19	Lyons, N. J.	F. o. b. Millington, N. J.	22,000	do	.641
20	Manchester, N. H.	F. o. b. Manchester, N. H.	900	do	.641
21 [1]	Martinsburg, W. Va.	F. o. b. Martinsburg, W. Va.	10,900	do	.641
22	Montrose, N. Y.	F. o. b. Montrose, N. Y.	12,000	do	.641
23	Newington, Conn.	F. o. b. Newington, Conn.	2,400	do	.641
24	Northampton, Mass.	F. o. b. Florence, Mass.	7,800	do	.641
25	Northport, Long Island, N. Y.	F. o. b. Northport, Long Island, N. Y.	15,600	do	.641
26	Perry Point, Md.	F. o. b. Perryville, Md.	13,800	do	.641
27	Providence, R. I.	F. o. b. Providence, R. I.	3,300	do	.641
28	Richmond, Va.	F. o. b. Richmond, Va.	7,300	do	.641
29	Roanoke, Va.	F. o. b. Salem, Va.	15,000	do	.641
30	Rutland Heights, Mass.	F. o. b. Holden, Mass.	7,200	do	.641

See footnotes at end of table.

Coffee (supply contract)—Continued

GROUP A—Continued

Item No.	Supplies or services: Veterans' Administration hospitals, centers and domiciliaries	Supplies or services: Deliver to destination indicated	Quantity (number of units)	Unit	Unit price
31	Sunmount, N. Y.	F. o. b. Tupper Lake, N. Y.	6,000	Pound	$0.641
32 [1]	Togus, Maine	F. o. b. Augusta, Maine	9,000	do	.641
33	Washington, D. C.	F. o. b. 2650 Wisconsin Ave. NW., Washington, D. C.	3,950	do	.641
34	West Roxbury, Mass.	F. o. b. West Roxbury, Mass.	4,200	do	.641
35	White River Junction, Vt.	F. o. b. White River Junction, Vt.	2,250	do	.641
36	Wilkes-Barre, Pa.	F. o. b. Wilkes-Barre, Pa.	3,600	do	.641
37	Wilmington, Del.	F. o. b. Elsmere Junction, Del.	1,500	do	.641
38 [2]	Altoona, Pa.	F. o. b. Altoona, Pa.	1,800	do	.641
39 [2]	Baltimore, Md.	F. o. b. Baltimore, Md.	1,800	do	.641
40 [2]	Boston, Mass.	F. o. b. Boston, Mass.	8,000	do	.641
41 [2]	Brockton, Mass.	F. o. b. Brockton, Mass.	8,000	do	.641
42 [2]	Clarksburg, W. Va.	F. o. b. Clarksburg, W. Va.	1,800	do	.641
43 [2]	East Orange, N. J.	F. o. b. East Orange, N. J.	8,000	do	.641
44 [2]	Framingham, Mass.	F. o. b. Framingham, Mass.	9,000	do	.641
45 [2]	New York, N. Y.	F. o. b. New York, N. Y.	8,000	do	.641
46 [2]	Philadelphia, Pa.	F. o. b. Philadelphia, Pa.	3,000	do	.641
47 [2]	Pittsburgh, Pa. (hospital No. 5242).	F. o. b. Pittsburgh, Pa.	8,000	do	.641
48 [2]	Pittsburgh, Pa. (hospital No. 5243).	do	8,000	do	.641
50 [2]	Syracuse, N. Y.	F. o. b. Syracuse, N. Y.	3,000	do	.641
51 [2]	West Haven, Conn.	F. o. b. West Haven, Conn.	8,000	do	.641

GROUP B

53	Alexandria, La.	F. o. b. Pineville, La.	5,000	Pound	$0.6688
54	Amarillo, Tex.	F. o. b. Amarillo, Tex.	1,100	do	.70
55	Augusta, Ga.	F. o. b. Augusta, Ga.	6,600	do	.68
56	Augusta, Ga. (Oliver Division).	do	3,600	do	.68
57 [1]	Bay Pines, Fla.	F. o. b. Bay Pines, Fla.	10,000	do	.691
58	Big Spring, Tex.	F. o. b. Big Spring, Tex.	2,050	do	.7128
59 [1]	Biloxi, Miss.	F. o. b. Biloxi, Miss.	9,500	do	.6642
60 [1]	Bonham, Tex.	F. o. b. Bonham, Tex.	3,000	do	.7077
61	Chamblee, Ga. (Lawson General).	F. o. b. Chamblee, Ga.	3,600	do	.68
62	Columbia, S. C.	F. o. b. Columbia, S. C.	3,600	do	.678
63	Coral Gables, Fla.	F. o. b. Miami, Fla.	1,800	do	.691
64	Dallas, Tex.	F. o. b. Dallas, Tex.	2,400	do	.7077
65	Dublin, Ga.	F. o. b. Dublin, Ga.	2,400	do	.691
66	Fayetteville, Ark.	F. o. b. Fayetteville, Ark.	2,500	do	.6862
67	Fayetteville, N. C.	F. o. b. Fayetteville, N. C.	3,000	do	.6996
68	Gulfport, Miss.	F. o. b. Gulfport, Miss.	6,600	do	.6642
69	Houston, Tex.	F. o. b. Houston, Tex.	8,100	do	.6719
70	Jackson, Miss.	F. o. b. Jackson, Miss.	3,600	do	.6667
71	Kerrville, Tex. (Legion branch).	F. o. b. Legion, Kerr County, Tex.	3,600	do	.6966
72	Lake City, Fla.	F. o. b. Lake City, Fla.	3,000	do	.691
73	Little Rock, Ark.	F. o. b. Little Rock, Ark.	3,000	do	.6918
74	Marlin, Tex.	F. o. b. Marlin, Tex.	1,350	do	.6939
75	McKinney, Tex.	F. o. b. McKinney, Tex.	2,800	do	.694
76	Memphis, Tenn.	F. o. b. 1025 E. H. Crump Blvd., Memphis 4, Tenn.	2,250	do	.6697
77	do	F. o. b. Park Ave. and Getwell St., Memphis 15, Tenn.	10,500	do	.6697
78	Montgomery, Ala.	F. o. b. Montgomery, Ala.	3,400	do	.6691
79 [1]	Moutain Home, Tenn.	F. o. b. Johnson City, Tenn.	23,000	do	.672
80	Murfreesboro, Tenn.	F. o. b. Murfreesboro, Tenn.	6,600	do	.6726
81	Muskogee, Okla.	F. o. b. Muskogee, Okla.	1,550	do	.6962
82	Nashville, Tenn.	F. o. b. Nashville, Tenn.	6,000	do	.6726
83	New Orleans, La., (LaGarde).	F. o. b. New Orleans, La.	2,400	do	.6587
84	North Little Rock, Ark.	F. o. b. North Little Rock, Ark.	15,750	do	.6918
85	Oklahoma City, Okla. (Hospital No. 5172).	F. o. b. Oklahoma City, Okla.	1,500	do	.6969
86	Oteen, N. C.	F. o. b. Azalea, N. C.	10,200	do	.675
87 [1]	Shreveport, La.	F. o. b. Shreveport, La.	2,100	do	.6708
88	Swannanoa, Division of Oteen, N. C.	F. o. b. Swannanoa, N. C.	4,800	do	.675
89 [1]	Temple, Tex.	F. o. b. Temple, Tex.	6,500	do	.6939
90 [1]	Thomasville, Ga.	F. o. b. Thomasville, Ga.	3,600	do	.68
91	Tuscaloosa, Ala.	F. o. b. Tuscaloosa, Ala.	5,550	do	.6689
92	Tuskegee, Ala.	F. o. b. Tuskegee, Ala.	9,000	do	.6712
93 [1]	Waco, Tex.	F. o. b. Waco, Tex.	16,500	do	.694

See footnotes at end of table.

Coffee (supply contract)—Continued

GROUP B—Continued

Item No.	Supplies or services: Veterans' Administration hospitals, centers and domiciliaries	Supplies or services: Deliver to destination indicated	Quantity (number of units)	Unit	Unit price
94 [3]	Birmingham, Ala.	F. o. b. Birmingham, Ala.	3,000	Pound	$0.687
95 [3]	Durham, N. C.	F. o. b. Durham, N. C.	3,000	do	.675
96 [3]	New Orleans, La., (Hospital No. 5235).	F. o. b. New Orleans, La.	3,000	do	.6906
97 [3]	Oklahoma City, Okla., (Hospital No. 5224).	F. o. b. Oklahoma City, Okla.	3,000	do	.6969
97a [3]	Salisbury, N. C.	F. o. b. Salisbury, N. C.	8,000	do	.674

GROUP C

99	Brecksville, Ohio	F. o. b. Bedford, Ohio	2,850	Pound	$0.7021
100	Chillicothe, Ohio	F. o. b. Chillicothe, Ohio	21,000	do	.691
101	Cleveland, Ohio	F. o. b. Cleveland, Ohio	9,500	do	.678
102 [3]	Clinton, Iowa	F. o. b. Clinton, Iowa	5,000	do	.6957
103	Danville, Ill.	F. o. b. Danville, Ill.	10,050	do	.6958
104 [1]	Dayton, Ohio	F. o. b. National Military Home, Ohio, via Dayton Ohio, Home Ave., rural route delivery.	28,000	do	.678
105	Dearborn, Mich.	F. o. b. Dearborn, Mich.	7,800	do	.682
106 [1]	Des Moines, Iowa	F. o. b. Des Moines, Iowa	3,600	do	.7007
107	Downey, Ill.	F. o. b. North Chicago, Ill.	38,500	do	.6867
108	do	F. o. b. Dwight, Ill.	1,800	do	.6961
109	Excelsior Springs, Mo.	F. o. b. Excelsior Springs, Mo.	2,000	do	.6992
110 [1]	Fargo, N. Dak.	F. o. b. Fargo, N. Dak.	1,000	do	.715
111	Fort Custer, Mich.	F. o. b. Battle Creek, Mich.	18,000	do	.6967
112	Fort Benjamin Harrison, Ind.	F. o. b. Fort Benjamin Harrison, Ind.	3,000	do	.6962
113	Fort Meade, S. Dak.	F. o. b. Sturgis, S. Dak.	5,000	do	.7108
114	Fort Thomas, Ky.	F. o. b. Newport, Ky.	4,800	do	.6962
115	Fort Wayne, Ind.	F. o. b. Fort Wayne, Ind.	1,800	do	.6957
116	Grand Island, Nebr.	F. o. b. Grand Island, Nebr.	1,000	do	.7125
117	Hines, Ill.	F. o. b. Chicago, Ill., for store-door delivery, Hines, Ill.	28,000	do	.6845
118 [1]	Hot Springs, S. Dak.	F. o. b. Hot Springs, S. Dak.	6,000	do	.7131
119	Indianapolis, Ind.	F. o. b. 1481 West 10th St., Indianapolis, Ind.	3,600	do	.6964
120	Iron Mountain, Mich.	F. o. b. Iron Mountain, Mich.	1,500	do	.7058
121	Jefferson Barracks, Mo.	F. o. b. Jefferson Barracks, Mo.	6,600	do	.6977
122	Knoxville, Iowa	F. o. b. Knoxville, Iowa	15,000	do	.6991
123	Lexington, Ky.	F. o. b. Lexington, Ky.	9,000	do	.691
124	Lincoln, Nebr.	F. o. b. Lincoln, Nebr.	1,800	do	.7072
125	Louisville, Ky. (Zorn and Mellwood).	F. o. b. Louisville, Ky.	7,200	do	.691
126	Madison, Wis.	F. o. b. Madison, Wis.	3,000	do	.6965
127	Marion, Ill.	F. o. b. Marion, Ill.	1,950	do	.6982
128	Marion, Ind.	F. o. b. Marion, Ind.	15,600	do	.76966
129	Minneapolis, Minn.	F. o. b. Building 222, Fort Snelling Minn.	6,900	do	.7037
130	Minot, N. Dak.	F. o. b. Minot, N. Dak.	600	do	.729
131	Omaha, Nebr.	F. o. b. Omaha, Nebr.	3,900	do	.706
132	Outwood, Ky.	F. o. b. Dawson Springs, Ky.	2,800	do	.6976
133	Poplar Bluff, Mo.	F. o. b. Poplar Bluff, Mo.	1,000	do	.7012
134	Saginaw, Mich.	F. o. b. Saginaw, Mich.	900	do	.6964
135 [1]	Sioux Falls, S. Dak.	F. o. b. Sioux Falls, S. Dak.	800	do	.7102
136	Springfield, Mo.	F. o. b. Springfield, Mo.	4,500	do	.7066
137	St. Cloud, Minn.	F. o. b. St. Cloud, Minn.	10,050	do	.7049
138	Tomah, Wis.	F. o. b. Tomah, Wis.	8,300	do	.6973
139	Topeka, Kans.	F. o. b. Topeka, Kans. [4]	7,000	do	.7037
140 [1]	Wadsworth, Kans.	F. o. b. Wadsworth, Kans.	15,900	do	.7016
141	Waukesha, Wis.	F. o. b. Waukesha, Wis.	1,900	do	.6947
142 [1]	Wichita, Kans.	F. o. b. Wichita, Kans.	1,800	do	.7042
143 [1]	Wood, Wis.	F. o. b. West Allis, Wis.	27,000	do	.6891
144 [3]	Ann Arbor, Mich.	F. o. b. Ann Arbor, Mich.	3,000	do	.6965
145 [1]	Chicago, Ill.	F. o. b. Chicago, Ill.	3,000	do	.6891
146 [3]	Cincinnati, Ohio	F. o. b. Cincinnati, Ohio	3,000	do	.7197
147 [3]	Iowa City, Iowa	F. o. b. Iowa City, Iowa	3,000	do	.6989
148 [3]	Kansas City, Mo.	F. o. b. Kansas City, Mo.	3,000	do	.70055
149 [3]	St. Louis, Mo.	F. o. b. St. Louis, Mo.	3,000	do	.6977

See footnotes at end of table.

Coffee (supply contract)—Continued

GROUP D

Item No.	Supplies or services		Quantity (number of units)	Unit	Unit price
	Veterans' Administration hospitals, centers and domiciliaries	Deliver to destination indicated			
151	Albuquerque, N. Mex	F. o. b. Albuquerque, N. Mex	5,100	Pound	$0.722
152	American Lake, Wash	F. o. b. Ft. Lewis, Wash	6,000	do	.6808
153	Boise, Idaho	F. o. b. Boise, Idaho	1,000	do	.6944
154 [1]	Camp White, Oreg	F. o. b. Camp White, Medford, Oreg.	4,000	do	.6946
155 [1]	Cheyenne, Wyo	F. o. b. Cheyenne, Wyo	1,400	do	.7049
156	Denver, Colo	F. o. b. Denver, Colo	3,000	do	.7049
157	Fort Bayard, N. Mex	F. o. b. Bayard, N. Mex	1,600	do	.725
158 [1]	Fort Harrison, Mont	F. o. b. Helena, Mont	2,000	do	.7044
159	Ft. Lyon, Colo	F. o. b. Fort Lyon, Colo	5,550	do	.713
160	Fresno, Calif	F. o. b. Fresno, Calif	2,100	do	.701
161	Grand Junction, Colo	F. o. b. Grand Junction, Colo	600	do	.7867
162	Livermore, Calif	F. o. b. Livermore, Calif	2,450	do	.701
163	Long Beach, Calif	F. o. b. Long Beach, Calif	14,400	do	.696
164 [1]	Los Angeles, Calif	F. o. b. Soldiers' Home, Calif	66,000	do	.695
165	Oakland, Calif	F. o. b. Oakland, Calif	5,100	do	.704
166	Palo Alto, Calif	F. o. b. Palo Alto, Calif	12,900	do	.704
167	Phoenix, Ariz	F. o. b. Phoenix, Ariz	1,800	do	.708
168	Portland, Oreg	F. o. b. Portland, Oreg	4,100	do	.685
169 [1]	Reno, Nev	F. o. b. Reno, Nev	1,000	do	.7683
170	Roseburg, Oreg	F. o. b. Roseburg, Oreg	4,500	do	.6946
171	Salt Lake City, Utah (hospital No. 5120).	F. o. b. Salt Lake City, Utah	1,500	do	.7025
172	San Fernando, Calif	F. o. b. San Fernando, Calif	6,000	do	.70
173	do	do	5,100	do	.704
174	Seattle, Wash	F. o. b. Seattle, Wash	2,700	do	.6813
175	Sheridan, Wyo	F. o. b. Sheridan, Wyo	3,800	do	.7049
176	Spokane, Wash	F. o. b. Spokane, Wash	1,500	do	.6876
177	Tucson, Ariz	F. o. b. Tucson, Ariz	4,000	do	.712
178	Vancouver, Wash	F. o. b. Vancouver, Wash	5,700	do	.685
179	Walla Walla, Wash	F. o. b. Walla Walla, Wash	2,700	do	.6867
180 [1]	Whipple, Ariz	F. o. b. Prescott, Ariz	4,450	do	.712
181 [3]	Miles City, Mont	F. o. b. Miles City, Mont	1,000	do	.7121
182 [3]	Salt Lake City, Utah (Hospital No. 5252).	F. o. b. Salt Lake City, Utah	3,000	do	.7025

[1] Denotes Veterans' Administration center.

[2] Items are tentative requirements and may or may not be required. Shipments will not be released without specific instructions from the contracting officer, or the installation.

[3] Denotes Veterans' Administration domiciliary.

[4] All coffee for delivery to Topeka, Kans. shall be "urn grind," in accordance with the sixth paragraph on p. 1 of attached Excerpt of Federal Specification HHH-C-571.

Note.—Contractor shall deliver merchandise in accordance with shipping address shown, indicating hospital, center or domiciliary.

Delivery of all items is to be made in 6 equal shipments to the nearest container; ⅙ of the total quantity, July 1, 1952; ⅙ of the total quantity, July 15, 1952; ⅙ of the total quantity, Aug. 1, 1952; ⅙ of the total quantity, Aug. 15, 1952; ⅙ of the total quantity, Sept. 1, 1952; and ⅙ of the total quantity, Sept., 15, 1952.

Delivery to be made as indicated in the delivery schedule of the contract and in accordance with par. 10b of Supplementary General Provisions, which requires the contractor to release shipment in time to arrive at destination specified from 1 to 3 days in advance of the scheduled delivery dates. (See par. 4 of attached excerpt of Federal Specification HHH-C-571.)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., February 26, 1952.

Mr. CARL R. GRAY, Jr.,
Director, Veterans' Administration, Washington, D. C.

DEAR MR. GRAY: Mr. Irving Manning, manager of the manufacturing division of Smart & Final Co. of Los Angeles, has sent me a copy of his letter to you of February 8. His letter raises a very serious question regarding the purchasing procedures used by the Veterans' Administration. I would like very much to see a copy of your reply to Mr. Manning.

From the information which I have before me, it would appear to be to the best interests of the country as a whole if the Veterans' Administration coffee were purchased by the Quartermaster Department, which purchases all military requirements for coffee. In this way the coffee could be roasted in plants controlled by the Army or Navy, thus eliminating any discrepancy in quality, not

to mention the saving of expense which such a policy would effect. This is of particular interest to me and to other Members of Congress at this time when the loose and lackadaisical procurement policies of the various Government departments are under investigation.

May I have your opinion on this matter?

Sincerely yours,

NORRIS POULSON,
Member of Congress.

MARCH 14, 1952.

Hon. NORRIS POULSON,
House of Representatives,
Washington, D. C.

DEAR MR. POULSON: Reference is made to your letter of February 26, 1952.

Enclosed is a copy of our reply to Smart & Final Co. of Los Angeles in regard to coffee-purchasing procedures of the Veterans' Administration.

Over the period of years that the Veterans' Administration has purchased coffee, we have studied every phase of the matter, and have come to the conclusion that our method of purchasing our requirements is the most practicable from the viewpoint of economy and quality of coffee. From time to time, we have considered procuring coffee through the military services, but this method was not considered satisfactory due to difference in blend and numerous small deliveries to be made to assure fresh coffee being delivered to hospitals. Our present procedure assures the Veterans' Administration of receiving the necessary deliveries of fresh coffee at an economical figure.

Sincerely yours,

CARL R. GRAY, Jr.,
Administrator.

Enclosure.

MARCH 12, 1952.

SMART & FINAL CO.
P. O. Box 1151, Los Angeles, Calif.
(Attention: Mr. Irving Manning.)

GENTLEMEN: Reference is made to your letter of February 8, 1952, regarding coffee purchases by the Veterans' Administration.

You were advised in our letters of July 16 and August 7, 1951, the methods used in making awards on our coffee invitations. Perhaps we did not clear up one point for you in regard to testing the coffee.

Our specifications are for 30 percent genuine Madelin Excelso, 40 percent genuine Manizalos Excelso, 30 percent genuine Santos, two and three, all to be of finest quality. However, the precise blend is not demanded, and any blend of the bidder's selection that exactly matches, in the cup, the Veterans' Administration standard "control" coffee will be acceptable.

All bid samples received are numbered and forwarded to United States Food and Drug Administration for testing against Veterans' Administration "control" coffee.

Prior to release of each month's delivery, a sample of the green coffee is taken from contractor's roasting plant and is tested before shipments can be released. Upon receipt of coffee, samples are then taken from each contractor's delivery at various Veterans' Administration hospitals throughout the United States, and additional samples are taken at any time a receiving installation feels that coffee delivered does not meet specifications. In every instance, samples are taken prior to shipment and after delivery to ascertain if coffee delivered meets bid sample.

It is noted you question the award of group D on our invitation S–111 for delivery of coffee during January, February, and March, 1952. The successful bid for this group was, as you state, $0.6710 per pound. The following is a résumé of bids received on this group:

$0.6949 less 2 percent.
$0.7044 less 2 percent
$0.7129 less 2 percent
$0.6760 net
$0.6660 net (sample failed)
$0.6710 net (award)
$0.6810 net
$0.6822 net

It would seem from these bids that coffee meeting our requirements can be delivered at a profit and below $0.70 per pound as quoted in your letter.

With the view of obtaining fresh coffee at an economical price for our hospitals, the Veterans' Administration has studied the practicability of obtaining coffee thorugh the military services. Our present method of purchasing coffee has proven satisfactory over a period of years in furnishing to our hospitals coffee of the quality and freshness desired.

Very truly yours,

JAMES N. O'NEIL,
Director, Supply Service.

HHH–C–571
MARCH 31, 1931
SUPERSEDING
U. S. G. M. S. 161b
October 8, 1929

FEDERAL STANDARD STOCK CATALOGUE

SECTION IV

(Part 5)

FEDERAL SPECIFICATION FOR COFFEE

This specification was approved for promulgation by the Federal Specifications Board on March 31, 1931, for the use of the departments and independent establishments of the Government in the purchase of this commodity, and shall become mandatory for all departments and independent establishments of the Government not later than November 15, 1931. It may be put into effect, however, at any earlier date, after promulgation.

A. Applicable Federal Specifications

A–2. Any special requirements of the individual departments of the Government are noted under Section H.

B. Types and grades

B–1. *Types.*—Coffee shall be such of the following types as may be specified in the invitation for bids:

Type I. Green.
Type II. Roasted.
Subtype (1). Whole bean.
Subtype (2). Ground.
(2) a Medium quality.
(2) b. High quality.

B–2. *Grades.*—

Grade A. Shall be equal to, or better than, Santos No. 4, New York Coffee and Sugar Exchange Standard, as in effect on date of invitation for bids.

Grade B. Rio, or similar quality coffee, to be not lower than Rio Grande No. 4, New York Coffee and Sugar Exchange Standard, as in effect on date of invitation for bids.

C. Material and Workmanship

C–1. As to material, shall be as prescribed under Detail Requirements, and as to workmanship, so far as applicable, shall be in accordance with best commercial practice.

D. General Requirements

D–1. All deliveries shall conform, in every respect, to the provisions of the Federal food and drugs act of June 30, 1906, and amendments thereto, and to subsequent decisions of the United States Department of Agriculture, all as in effect on date of invitation for bids.

E. Detail Requirements

E–1. *Grade A.*—

E–1a. *Type I, green coffee:* Shall be sound coffee beans of medium size and generally regular. Shall be fair to good roasters and free from Rio or other objectionable flavors. Shall be such as will produce good soft cup quality, including body and flavor. Each delivery of green coffee should be limited

to a single chop, but if the contractor proposes to furnish from more than one chop, the number of chops he proposes to furnish shall be indicated in the proposal, and in such latter instances, the bidder shall, when bid samples are called for, submit a sample from each chop he proposes to furnish.

E–1b. *Type II, roasted coffee:* Shall be produced from a green coffee meeting all the requirements above prescribed for type I, and shall have been thoroughly cleaned and stoned before roasting. Shall be roasted in accordance with best commercial practice and without the addition of water except in sufficient quantity to prevent burning.

E–1c. *Type II, subtype (1)a, roasted, whole bean:* Each delivery of roasted coffee, whole bean, should be limited to a single chop, but if the contractor proposes to furnish from more than one chop, the number of chops he proposes to furnish should be indicated in the proposal, and in such latter instances, the bidder shall, when bid samples are called for, submit a sample from each chop he proposes to furnish.

E–4. *Type II, subtype (2)a, roasted, ground, medium quality:* Shall be produced from coffee meeting all the requirements of type II. Unless otherwise specified in the invitation for bids, shall be finely ground.

E–1e. *Type II, subtype (2)b, roasted, ground, high quality:* Shall be of medium roast, straight or blend, of high quality, rich, full body, medium to sharp acidity, excellent flavor and aroma, and thoroughly cleaned and roasted. Shall be free from sour beans, and musty, earthy Rio, or other objectionable flavors. Unless otherwise indicated in the invitations for bids, shall be finely ground.

E–2. *Grade B.*—

E–2a. *Type I:* Shall be sound, clean beans of medium size.

F. Method of Inspection and Test.

F–1. Inspection shall be made at point of delivery by the receiving agencies unless otherwise specified.

F–2. Chemical analyses, if required by the purchaser in the examination or testing of samples and deliveries under this specification, shall be made in accordance with methods of the Association of Official Agricultural Chemists in effect on date of invitation for bids.

G. Packaging, Packing, and Marking.

G–1. Any special requirements of the individual departments are noted under Section H.

G–2. *Packaging.*—Unless otherwise specified, commercial packaging is acceptable under this specification.

G–3. *Packing.*—Unless otherwise specified, the subject commodity shall be delivered in standard commercial containers, so constructed as to insure acceptance by common or other carriers for safe transportation, at the lowest rate, to the point of delivery.

G–4. *Marking.*—Unless otherwise specified, shipping containers shall be marked with the name of the material, number and sizes of packages and the total quantity in the container, as defined by the contract or order under which the shipment is made, the name of the contractor, the number of the contract or order, and date of packing.

H. Requirements Applicable to Individual Departments.

H–1. The following departmental specifications of the issue in effect on date of invitation for bids shall respectively form a part of this specification.

H–1a. United States Army Specification No. 22–42, "Supplies, Subsistence, for the United States Army, Conditions Governing the Purchase of."

United States Army Specifications No. 100–2C, "Standard Specifications for Marking Shipments."

H–1a (1). The following shall apply as to purchases for the Army:

H–1a (1)a. All coffee shall be of grade A as indicated in paragraph B2 of this specification.

H–1a (1)b. Type II, either subtype II–(1), whole bean, or subtype II (2)a, ground, medium quality, i. e., coffee, roasted or roasted and ground, are the prescribed components of the Army ration, and shall be used in computing the cost of the ration. Type II, subtype II–(2)b, roasted, ground, high quality, is for sales purposes only.

H–1a (1)c. Coffee of types I and subtypes II–(1) and II–(2)a shall be subject to reinspection for quality, soundness, and quantity at time of delivery before final acceptance.

H–1a (1)d. Types I and subtypes II–(1) and II–(2)a shall be purchased on bid samples. Invitations for bids shall state specifically the minimum quantity of each item that must be furnished as a sample, which will only be sufficient to permit of usual tests and comparisons with specifications before the awards as well as after the deliveries have been made. Samples shall be submitted by bidders so as to reach the office of the purchasing officer at least 24 hour prior to the hour set for opening bids. Samples submitted must be furnished free of expense to the Government, and should show on the outside of the container, or tag attached thereto, the circular proposal number, place, and date of opening bids to which the same pertain, and the names and location of the bidder submitting the samples. Samples will not be received after the time for opening bids. The coffee shall be subject to reinspection for quality, soundness, and quantity at the time of delivery before final acceptance. The Government reserves the right to mutilate or destroy any samples submitted whenever necessary to do so for purposes of testing. No payment will be made for samples mutilated or destroyed in this connection.

H–1a (1)e. In the purchasing of subtypes II–(1) and II–(2)a, samples of the green and of the corresponding roasted or roasted and ground coffee shall be submitted with each bid. Proposal to furnish a blended coffee shall be accompanied by separate samples of the green and of the corresponding roasted or roasted and ground coffee of each variety it is proposed to use, in addition to the properly blended samples.

H–1a (1)f. *Packaging and packing.*—

Type I. Green coffee: Shall be in original bags.

Type II, subtype II–(1): Coffee, roasted, whole bean:

In square or rectangular lacquered tin containers, hermetically sealed or screw top, as specified, net weight 25 pounds, 1 or 2 to the case.

In 25 or 50 pound drums.

In new burlap bags, 50 pounds net capacity, with waterproof Kraft crepe interliners.

Type II, subtype II–(2)a, roasted and ground:

In 25-pound cans, 2 to the case.

In 25-pound paper-lined drums.

In 50-pound paper-lined drums.

In 100-pound paper-lined drums.

In new burlap bags, 50 pounds net capacity, with waterproof Kraft crepe interliners.

Type II, subtype II–(2)b (for sales purposes only):

In cartons, 1 pound net weight, 50 to the case.

In cartons, 2 pounds net weight, 24 to the case.

In cartons, 3 pounds net weight, 12, 20, and 24 to the case.

In tin cans, 1 pound net weight, 24, 30, 50, and 60 to the case.

In tin cans, 2 pounds net weight, 24 to the case.

In tin cans, 3 pounds net weight, 12 or 24 to the case.

H–1b. *Navy Department.*—"General Specifications and Conditions of Delivery Applying to Provisions Contracts." Copies of such publication may be obtained without cost upon application to the Bureau of Supplies and Accounts, Navy Department, Washington, D. C.

H–1b (1). The following shall apply as to purchases for the Navy:

H–1b (1)a. Coffee shall be of grade A as indicated in paragraphs B2 of this specification.

H–1b (1)b. Green coffee shall be graded and sampled by an expert or experts selected by the Government. Prior to delivery, the contractor shall submit a 1-pound sample (or as many as may be required for inspection purposes) of the coffee, both green and roasted, of each chop or mark he proposes to furnish, to the point designated by the activity placing the order for delivery.

H–1b (1)c. *Packaging.*—Shall be in the original sacks as shipped from the particular producing country.

H–1b (1)d. Notes as to purchases for the Navy.

Net weight only will be paid for, except that any weight in excess of that marked on the sacks will not be paid for.

The samples submitted by the contractor for inspection purposes (prior to delivery) shall be marked to show name of contractor, contract number, and chop or mark from which delivery is to be made.

H–1c. *Marine Corps.*—Instructions issued by the Quartermaster Department, United States Marine Corps.

H–1d. *Veterans' Administration.*—Coffee purchased by and for the Veterans' Administration shall be freshly roasted, in prime condition, free from mustiness or sour or seriously damaged beans, and shall produce approximately forty cups of satisfactory coffee to the pound. Shall exactly match in the cup the Veterans' Administration standard control coffee against which samples and deliveries shall be cup tested, a sample of which control coffee shall be furnished prospective bidders with the invitation to bid.

As an aid to bidders in blending coffee to exactly match the distinct cup characteristics of the Veterans' Administration standard control coffee, the kinds and approximate proportions of the various coffees put into the control, as furnished prospective bidders, will be described in the invitation to bid.

H–1d (1). Bidder shall furnished with his bid samples of the products he proposes to deliver under his bid; quantity, size, and time of delivery of such samples to be called for by the invitation to bid.

I. Notes.

I–1. Invitations for bids should state type and grade of subject commodity and style of packaging desired.

I–2. This specification governs all United States Government purchases of this commodity, except as to articles purchased under specified brand names and not under specification requirements, where such purchases, for resale purposes, are duly authorized.

I–3. Copies of this specification may be obtained upon application, accompanied by cash or money order, to the Superintendent of Documents, Government Printing Office, Washington, D. C. Price 5 cents.

I–4. The advantages of interested individuals may be served by the procurement of the Index of Federal Specifications, obtainable upon application, accompanied by cash or money order, to the Superintendent of Documents, Government Printing Office, Washington, D. C. Price, 5 cents.

I–5. Should material be offered by bidders under brand names, catalogue or model numbers, they must signify in the bid that material so offered meets this specification in all respects.

NOTICE.—When Government drawings, specifications, or other data are used for any purpose other than in connection with a definitely related Government procurement operation, the United States Government thereby incurs no responsibility nor any obligation whatsoever, and the fact that the Government may have formulated, furnished, or in any way supplied the said drawings, specifications, or other data is not to be regarded by implication or otherwise as in any manner licensing the holder or any other person or corporation, or conveying any rights or permission to manufacture, use, or sell any patented invention that may in any way be related thereto.

FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT—PART III

(Section 4)

(Meeting held to study the operations of the Federal Supply Service of the General Services Administration, San Francisco, Calif.)

TUESDAY, AUGUST 26, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
San Francisco, Calif.

The subcommittee met at 3:30 p. m., in room 421, Appraisers Building, 630 Sansome Street, San Francisco, Calif.

Present: Representatives Herbert C. Bonner (chairman), Cecil M. Harden, and Chet Holifield.

Staff members present: Thomas A. Kennedy, general counsel; Ray Ward, staff director; and Herbert Roback, staff director, Reorganization Subcommittee.

Also present: Jess Larson, Administrator, General Services Administration; Harlan C. Maaske, Deputy Regional Director, Federal Supply Service, region 9, GSA; Clifton E. Mack, Commissioner of Federal Supply, GSA; Maxwell Elliott, general counsel, GSA; Herbert Macomber, Jr., associate general counsel, GSA; Robert Bradford, Regional Director, region 9, FSA; Clarence W. Hull, regional counsel, GSA; Robert L. Bennett, Chief of the Federal Supply Division at Los Angeles; Earl R. Morford, Chief of the Stores Division for this region of the GSA; Robert C. Utzelman, regional traffic manager; Darrel E. Bray, stores division liaison officer; Robert E. Reno, Chief Inspector, Federal Supply Service; Robert I. Ashby, Chief of the Purchase Division, Los Angeles and San Francisco; Harry Folmer, Acting Chief, Personal Property Utilization Division; Rex A. Fones, Chief of the Accounts and Reports Division, Office of the Comptroller; Richard Greenburg, regional comptroller; and Ray M. McNarny, Chief of the Building Management Division, Public Buildings Service.

Mr. BONNER. The subcommittee will come to order.

First, as chairman of the subcommittee, I want to thank Mr. Jess Larson and his staff for the kind invitation issued to us to attend the dedication exercises held at your new warehouse, and to say that personally it was refreshing to me to see the full cooperation of the

[1] Name changed to Committee on Government Operations, July 1, 1952.

military services and others attending the luncheon, cooperating with you in making possible a Government function that has a great responsibility and can serve a tremendous purpose and bring about more efficiency and economy throughout the Government. It is cooperation of that kind that has made America great and will continue to keep us a great Nation. With such cooperation, we needn't have any fear from any other part of the world.

Gentlemen, I am sure you all know that the so-called Bonner subcommittee has been studying Federal supply management, particularly in the military agencies, for a period of a couple of years. We have visited many military installations, both in the United States and overseas, and have found, as you know from our reports, that there is great extravagance and waste in the military supply system, particularly as it affects common items and services.

AIR FORCE WILLING FOR GENERAL SERVICES ADMINISTRATION TO SUPPLY COMMON ITEMS

Since the General Services Administration, which was set up under the Holifield Act, has great responsibility in the matter of common supply for all Federal agencies, we want to discuss the problem with you today. You perhaps have seen from the press releases that the high officers of the Air Force have now agreed to turn over their administrative supply responsibilities to other agencies, including the General Services Administration.

I would like to call to your attention a news clipping from the Dayton Journal-Herald of August 20, headlined "Common Supply Service Is Agreed by the Air Force," and another headline from the Dayton paper: "Air Force Drops Bulky Supply System." Still further another headline: "Congressional Group Pleased with AMC; Bonner Committee Heads Study on Air Force; Not Triplicating Supply Services."

ABILITY OF GENERAL SERVICES ADMINISTRATION TO ASSUME WORKLOAD

So far as we were able to ascertain during our visit to Dayton, the Air Forces have now come to the point where they are perfectly agreeable that their general purpose supplies that are intended to be handled by the General Services be furnished by the General Services. But, as you know, this is a big business, and we want to discuss with you your ability to assume the responsibilities of this magnitude.

I am sure you realize that this subcommittee cannot with conscience recommend that a military agency turn over supply or logistic responsibility to a civilian agency unless we are certain that the civilian agency can deliver the goods. We can't expect the Air Force to go through with their commitments unless your agency is perfected to the point that there will be no criticism of your service to the Air Force or to the other branches of the national defense or to any Government agency who calls on you for supply.

Mr. Larson and your staff, I would like to have an open and frank discussion with you, and the members of this subcommittee will appreciate your discussing the problems that confront us and confront you at this time. I know that a warehouse like the one we visited today must handle volume business at low cost if it is to be justified. Will

you be frank in discussing with us where we stand now in the matter and what is necessary in the way of legislation, or any suggestions you might make to this committee as to what would be helpful to you in perfecting your organization and bringing it into its full responsibility.

Of course, the subcommittee is glad to have present today with us Mr. Holifield, who is a ranking member of the full committee and has carried on most responsibly the assignments that have been given him by the chairman of the full committee, and is to be commended for his activity in committee work in the Congress.

The hearings of this subcommittee and the activity of this subcommittee have been nonpolitical. We have not sought sensational newspaper publicity. We have tried to conduct ourselves in a dignified way so as to gain the respect of the men in the services and other Government officials, whether they are in the military or civil service, or the bureaucrats, as some call them; and to find out the substantial things that need improving. You know, as well as we know, that the budget has to be balanced and has to be reduced. It is up to you men to help do it.

Now, Mr. Larson, do you have any opening comment to make? We will be glad to hear it.

STATEMENT OF JESS LARSON, ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION

Mr. LARSON. Thank you, Chairman Bonner, Mrs. Harden, Congressman Holifield. I do not have a prepared opening statement. I wish to express my personal appreciation, and I am sure that I speak for my colleagues in expressing sincere appreciation of your remarks.

We are available here today for the conduct of the business of the subcommittee, to furnish you such information as we may, and to make any frank comments about our operation and about the over-all Government or Federal supply systems generally that we are able to make as a result of our 3 years of existence and 3 years of responsibility in this field.

With me are Mr. Clifton E. Mack, whom you know, Commissioner of Federal Supply, and Mr. Maxwell Elliott, general counsel of the General Services Administration, both of whom are from Washington. Also we have here Mr. Robert Bradford, the Regional Director of Region 9 of General Services Administration, and his staff, who are prepared to enlighten the subcommittee and furnish such information as the committee might desire, from their point of view as operators on the actual working, supplying, using level of the Government.

I would like to have Mr. Mack join me here, and Mr. Elliott, and Mr. Bradford, if they will pull up chairs, and we will make ourselves available to the subcommittee as you see fit, sir.

Mr. BONNER. There is a field in civilian agencies, as well as military agencies, where you are supposed to supply certain items. Now, are there statistics available to show the volume of these items and the extent to which you have been able to supply them during the existence of your organization in this region?

GENERAL SERVICES ADMINISTRATION SHOULD REDUCE GENERAL OVERHEAD

The reason I ask that is because, if your organization is justified in existing, then you should get in this field and relieve the other

agencies, both military and civilian, of their responsibilities, and cause a reduction in their requested budget.

Mr. LARSON. I am sorry, Mr. Chairman; we do not have the information by region that you request.

Mr. BONNER. You serve this region and these military installations.

DATA NOT AVAILABLE AS TO USAGE OF ITEMS

Mr. LARSON. The reason we do not have it is that we do not have the information as to what the total use of those items is by all of the Federal agencies, including the military, in this region, or in the country as a whole, for that matter. We have reasonable estimates.

Mr. BONNER. We are just confining it to this region, and I think it will be worth while for the record if we approach this subject this way, because that is the purpose of you organization here, ultimately; is it not?

Mr. LARSON. The purposes of our organization, as set forth in the Holifield Act, are to be responsible for a Federal supply system in the all-inclusive sense of the word. Specific provisions of that act, however, as you recall, provide that the Secretary of Defense may exempt the military establishments from any rules and regulations promulgated by the General Services Administrator, if in his opinion compliance with such rules and regulations would impair the execution of the over-all military mission.

Let me ask Mr. Bradford if he can give some figures or some percentages in more specific reply to your question, Chairman Bonner.

Mr. BRADFORD. I am Robert B. Bradford, the regional director, Mr. Chairman. I can give approximate figures as to the percentage or total dollar volume of business handled in the fiscal year 1952 by this region on behalf of the military services, but I don't know what percentage that is of what the military bought for the area.

Of our direct issues in this region, it would be my estimate that about $2,700,000 worth of common-use property was issued by us to the military services, representing a little bit less than half of what we issued to all of the governmental agencies. And on direct deliveries I would say that our direct-delivery purchases for the military amounted to about $1,500,000. That would be a total of $4,200,000 out of a total business in this region, direct delivery and issues, of approximately $12,000,000. What percentage that is of what the military buy themselves and use and consume in this area, I would not know.

Mr. LARSON. Let me elaborate further by putting into the record for consideration of the committee at this time that the best figures we have been able to get hold of, for the over-all requirements of the military establishments in this country, of what we term "civilian-type common-use items" that have been issued from military depots—that excludes such civilian-type common items as might have been bought for direct delivery that did not go through a depot, or such items as were procured from GSA term contracts which are delivered directly to the user——

Mr. BONNER. Under contracts by the General Services?

Mr. LARSON. Contracts made by General Services. [Continues:] And cover common-use items and services—that figure, representing the volume of civilian-type common items issued from military depots

for the yearly period just ended, the fiscal year just ended, is estimated to be $240 million. That may give you some idea as to what the total requirements are.

We in General Services have in that same period issued from our warehouses to civilian agencies, and such military agencies as chose to procure through our stores, approximately $60,175,300. That is broken down into $23,654,000 purchased by the military and $36,542,000 purchased by civilian agencies of the Government.

MILITARY GET 10 PERCENT COMMON ITEMS FROM GENERAL SERVICES ADMINISTRATION

On the basis of these figures, the military agencies are procuring from GSA depots or warehouses, such as you saw today, common-use items that they choose to procure from those depots, about 10 percent of their requirements.

I would assume that it would run about the same in all regions, except that I might say that, as a result of the sincere effort on the part of the military commanders in this region, both the naval commander and the Sixth Army commander, and Mr. Bradford and his staff, there is probably a higher percentage of use by the military establishments in this area of GSA facilities than in any other region of the General Services Administration, of which there are 10, as you know.

GENERAL SERVICES ADMINISTRATION—AIR FORCE RELATIONS

Mr. BONNER. Since this understanding with the Air Force, what specific problem do you anticipate in General Services in supplying the Air Force with the necessary items they must have? Can you supply them?

Mr. LARSON. Let me answer that in brief, and then elaborate on the background a little bit, and then maybe come back and answer more specifically:

In brief, a direct reply to your inquiry is that the only thing that remains to be done, in my opinion, is to effect an agreement that will point the way for the operations between the Air Force and the General Services Administration for carrying out this announced policy; and that agreement should be made on the level of the Secretary's office with the consent and knowledge of the Secretary of Defense, acting through his representatives on the Munitions Board, and under the authority that he has granted to them.

LONG DRAWN-OUT NEGOTIATIONS NOT REQUIRED

I do not mean by that a long drawn-out series of negotiations such as have been had over the past 3 years between the General Services Administration and the Department of Defense to effect the memorandums of agreement which have been previously testified to at other hearings before this committee. I don't think that it is necessary to use that much time. I think with this decision on the part of the Air Force that a relatively simple agreement can be reached.

Mr. BONNER. Now, I want included in the record the statement by

the Secretary of the Air Force with respect to this,[4] and I want to ask you, then—and I am glad you are here at this hearing—what immediate action you will take to work out arrangements with the Air Force so that they will not have any grounds for complaint should they call on you for service and you are not able to render the service.

Mr. LARSON. I have already taken action since this statement came out, and on our own initiative. The Under Secretary of the Air Force, Secretary Gilpatrick, and myself, have had a preliminary discussion, a very brief one.

Mr. BONNER. Since the Dayton conference?

Mr. LARSON. Since the Dayton hearing. The understanding which I have spoken of I think should be spelled out in detail.

Assuming that the result of that agreement will be an immediate turning over to the General Services Administraton by the Air Force of the procurement of a major portion, if not all, of their civilian-type items, we are in position now to furnish those items to the extent that we carry them in stock. Now we do not carry all civilian-type common-use items in stock, because we have not had the volume of business to justify it. It will take us some time, but less than 6 months, to stock up properly for the purpose of satisfying what we estimate the requirements of the Air Force will be.

The installation which you saw today is a result of our planning in that direction, to take over extended supply activities not only for the military but for civilian agencies of the Government. The program as it stands today is approximately 1 year behind the schedule that we set out in 1949 to meet. The reason that it is behind is that the Korean situation came along and set back the ability of the Congress to finance the General Services Administration to meet those targets which we had previously set up. But with the type of installation which you saw today, with the present organization that the General Services Administration has, we can meet what we have observed the Air Force requirements to be, without materially increasing our overhead.

GENERAL SERVICES ADMINISTRATION WILL NEED MORE CAPITAL TO SUPPLY MILITARY

We will need, as this business expands, some additional capital, which is provided to us by specific appropriation from the Congress. We will not need any additional warehouse space in this area for some time to come. We will not need any appreciable addition to our personnel in this area for some time to come, if we take over in the manner which we envisaged in our preliminary talks with the supply people of the Air Force as to what constitutes the problem. So we think we can render a real service, and the service for which General Services was created.

Now, when we took over this job we were extremely cautious about not doing anything or not undertaking anything that we could not perform. One of our reasons for that was our knowledge of the extreme importance to the Military Establishment of having dependable sources of supply, not only for their common-use items but for their technical items.

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[4] See Secretary Finletter's testimony in the hearings on Federal Supply Management (Air Force Supply—Munitions Board, p. 60), and testimony of Under Secretary of the Air Force Gilpatric, page 4 et seq. these hearings and pp. 99 and 124 of hearings on Federal Supply Management (Military and Related Activities).

We think that we have established in these facilities such as you saw today—with our record of supplying small but comparatively urgent operations of the Government on time and in such quantities as required and to such specifications as required, with the common-use items needed by the Military Establishment to carry out its operations in this country—the basis for any foreseeable expansion. An expansion that would be necessitated by all-out mobilization would, of course, require and demand a somewhat different approach. But that approach could be built upon the facilities established during this period by the General Services Administration.

Being apprehensive of that very important consideration, the military commander must have under his direction the means to make available to him items required to carry out his mission. Now, how does a military commander do that in the case of common-use items? He does it by maintaining a force which is largely civilian, to go to the civilian sources of supply, the manufacturer and producers of this country, to get those items. We are in a position to do that.

ECONOMIES IN GENERAL SERVICES ADMINISTRATION

Mr. BONNER. This subcommittee in its effort to bring about this condition has a responsibility. This subcommittee wants to be certain that in reaching this agreement your organization can efficiently and effectively carry out the understanding, and then we want to know what economy will be brought about, whether there will be a saving, and if so, to what extent, on a percentage basis.

Mr. LARSON. Of course, that is the meat of the coconut.

Mr. BONNER. That is a fair question to ask.

Mr. LARSON. That is a fair question to ask.

Mr. BONNER. If we ask the three branches of the armed services to use your facilities then we certainly have a right, and they have a right, to ask if it will be efficient, if it will be a step in the direction of economy. Those two things must be had if we are going to insist on using your facilities.

Mr. LARSON. That is obvious, Congressman, and we certainly concur.

Mr. BONNER. Then we want to know what economy is going to be brought about by this.

Mr. LARSON. Let me give you the result of my experience and thinking.

Mr. BONNER. And is there going to be an economy?

Mr. LARSON. Let me give you these few observations and then make a statement, and let the subcommittee draw its own conclusion.

Let's assume that the General Services Administration is a dependable source of supply, that it has the facilities, that it has the finances, that it has the trained personnel, that it has the sense of responsibility, and that it is able to meet the requirements of the military in the common-use field.

Mr. BONNER. And one other thing: That it will not be a duplication of what already exists.

Mr. LARSON. I was leading to that. I was assuming that that exists, because we should not attempt to take over this unless those conditions do exist.

Now, there exist today for the convenience and for the needs on the part of the commanders in the Military Establishment such installa-

tions as they must have to meet their responsibilities. There exist today organizations in each of the military services for doing just that.

CENTRAL SUPPLY FOR COMMON ITEMS

The case that I will mention is purely a hypothetical one, but I am sure that this subcommittee in its observations of supply installations can readily adapt it to your own experience. Let's assume that in order to meet the requirements of the naval installations in this area the Navy maintains a supply level of tables or desks such as these here—not so ornate as these, I trust, because the courts are in a class by themselves, but such an item, desks that are common, because we all work for the taxpayer, and it is the taxpayer's dollar that is being expended, and the desks should be comparable, whether they sit in the internal revenue office or whether they sit in the recruiting office of the Navy or one of the other recruiting offices here in California—a supply level, an inventory of $5 million worth of desks to supply this area. I don't know what the figures are, but let's say that the Army maintains a similar inventory in this area—that is, to supply for 3 months or 6 months, or whatever their supply level is. And I am not sure, but I think the Marine Corps maintains some depots here, and they will have some desks. I could be mistaken in that. But let's say that the Marine Corps' level is $2 million.

You have there $12 million of the taxpayers' money invested in inventories of desks, in order that each commander may meet his responsibility of supplying desks to the people in his command.

Out here at the warehouse you saw today the General Services Administration maintains perhaps a million-dollar inventory of desks to meet the requirements of the civilian agencies in this area—or the figure on that may be $2 million, making a total of $14 million worth of desks. It is our sincere opinion and belief that with an inventory of not to exceed $5 million of desks we could supply all of the Federal requirements for desks in this area, including the Marine Corps, the Navy, and the Army. You can see that you have turned loose there $9 million of the taxpayers' money, which will not have to be available continuously to maintain that level, because, if the General Services Administration is organized so as to turn its inventory over rapidly enough, it can meet those requirements without building up above the $5 million level. So there is an eventual saving of $9 million.

That is the type of saving that really means something. That is a hypothetical case and the technicians of supply might shoot holes in it. But they cannot shoot holes in the logic of it. That is why GSA was created. That is what Congressman Holifield and his subcommittee had in mind when they advocated a bill on the floor of the House to create this establishment, and that is what we have got to do. If we don't do it as between ourselves—and so far we have not done it—then it is the responsibility of the Congress to require it to be done, to make it mandatory, in my opinion.

Mr. BONNER. You have taken desks as an example. How many items can you effectively and efficiently and more economically supply these agencies?

You can supply it later for the record if you desire.

Mr. LARSON. Let me answer in this way: Unfortunately, that is one of those areas where we have been in committee meetings, in confer-

ences, conducting studies, surveys, and all that sort of thing, which is time consuming and expensive, for 3 years, and I am sorry to say that I think we are almost as far apart as to agreeing what are common-use items as we were 3 years ago. Some decisions are going to have to be made.

HOW TO GET ACTION BETWEEN DEPARTMENT OF DEFENSE AND GENERAL SERVICES ADMINISTRATION

Mr. BONNER. Then you would suggest to this committee that they call down the Secretary of Defense and say we want this thing settled. If you are going to exist and go on, conclusions should be reached. How long is it going to take?

NEW MUNITIONS BOARD CHARTER MAY HELP GET DECISIONS

Mr. LARSON. I think that with the new authority that has been given by the Secretary of Defense to the Munitions Board we should make one last effort to bring this thing to a head and get a decision made that we can report to you gentlemen of the Congress and I hope report it in operation by the time the new Congress convenes.

Mr. BONNER. It has taken the subcommittee a long time to bring that to pass, and this subcommittee has been driving at that very thing for over a year.

Mr. LARSON. We are presently conducting a very interesting study. It is headed by a commander of the Navy, a very bright and efficient officer, Commander Raymond, and one of our bright chaps, Mr. Daly, and they have a list of 124 common-use items on which they are trying to reach agreement now.

In my opinion, and this is only my opinion, there are probably at least 8,000 or 9,000 items that should and could be agreed upon relatively quickly.

Mr. BONNER. Between you and the armed services?

Mr. LARSON. Right.

Mr. BONNER. Now, I want to get straight on this. Let me ask Mr. Bradford, your regional director, this question:

This subcommittee, through its insistence brought about the test run on medical supplies, and it was decided to use the Alameda area and the Pacific coast area and the Far East for the test. How long would it take your area here to determine just what you could do more economically to supply the armed services and all governmental functions in this area so that we could then make a drive on this particular area as a test run to see what you could do?

STATEMENT OF ROBERT B. BRADFORD, DIRECTOR, REGION 9, GENERAL SERVICES ADMINISTRATION

Mr. BRADFORD. Mr. Chairman, I think that within a matter of 2 or 3 weeks we could tell you specifically how much dollar volume additional we could handle for the military in common-use items, both by direct delivery and by warehouse issue. As to the specific items, I don't know whether we would be the determining factor in setting the time or not. It would take us perhaps 2 months, with the full cooperation of the military—maybe 6 weeks, certainly no longer than 2

months—to decide what we could handle, and tell how much it would cost the Government to do that, if any more than it costs now.

Mr. BONNER. In your opinion, what do you think about setting up this area as a test for the perfection of your organization?

Mr. BRADFORD. Personally I would be very much in favor of that. The Administrator spoke of 124 items which have been the subject of discussion for a long time. As I understand it, the total dollar value of those 124 items for the military nationally would be about $30 million. Let's say that we are a larger than average region and our share of that might be $6 million. I would say we could handle that additional $6 million without spending any more money than we spend now.

How much that would save in the military I don't know. But much of it would be direct delivery, you see. We wouldn't even bring it into the warehouse and put it out again; we would order it from the manufacturer to be shipped immediately and directly to the military, because they very seldom order a carton of paper towels, they order a carload of paper towels. And as to all of that we would assiduously make direct delivery purchases, and not go to the trouble of unloading it and loading it up again to make delivery. And I would say that we could handle that additional $6 million without asking for any more money from the Administrator than we have now.

Mr. BONNER. You would have to take over the military stocks of those items in your warehouse; would you?

Mr. BRADFORD. The most efficient thing would be to pick off the military stocks over those necessary for a certain normal period, which you might say would be 3 months' supply. That should be left there to give us a chance to get going. Something like that.

Mr. BONNER. What is your opinion about that, Mr. Larson?

Mr. LARSON. I think that we have enough information as far as GSA is concerned not to require a test in one region. In my opinion we are equipped to start out on these 124 items and add to them as fast as we can agree on common-use items, all over the United States. I think a test in one region would only be time consuming, and not indicative of the capabilities and the dependability of GSA as a whole.

Mr. BONNER. I only raise that idea due to the fact that we are having a test here in medical supplies for all services, and it is common sense reasoning that there is no difference in the medical supplies for the men in service and men in civilian life. Some are in service now that will soon, I hope, be back in civilian life, and we want the men in service to have just as good medical supplies, and we certainly want the people in civilian life to have as good as the military; so there is no reason why there should be three or four medical depots on this Pacific coast supplying this area, and duplicating each other. It certainly stands to business reason that it could be run more economically if they were consolidated.

Therefore I thought of consolidating in this area, and we could see what can be done. There is a resistance to anything you try to do to bring about efficiency and economy in the Government.

Mr. LARSON. There is a fear that the change would deter the military commander from carrying out his responsibility. In the civilian agency it cannot be attributed to that fear because no such comparable responsibility exists. But consolidation and elimination of duplication, in the civilian agencies as in the military, are basically matters

of human relations and of according proper recognition to the desire to do one's own job.

Mr. BONNER. Repeatedly this subcommittee has made the statement to all military installations that it has visited that it wants to be careful on insistence of any particular idea that it will not affect the striking power, the force of the armed services; and if there is any shadow of a doubt about the efficiency of your organization in supplying them that would interfere with their striking power and force, I would be the last one to even come in and suggest it.

Mr. LARSON. Certainly; so would I.

Mr. BONNER. I want to get full confidence from you and your staff that you have the ability to perform to such a degree that you will not interfere with their striking power.

Mr. LARSON. It is difficult for me to conceive how the standardization of a paper towel that would be the same for the face in uniform as the face in civilian clothes would deter a commander from carrying out his mission. Likewise I can't see that it would deter a commander in his mission to have available a desk, simple though it may be, of a certain type that would be standard in the Government—that that would deter him from fighting the appropriate battle in Korea. And I think the military commander would certainly agree with me on that. I am not speaking critically of the military point of view. I am only emphasizing that that fear does exist.

Of course, you mention medical supplies. There are problems of packaging and problems of distribution that are related to the military situation, and those must be taken into consideration. I think that the time has come, looking at it strictly from the point of view of the American taxpayer—and if I may add parenthetically, the responsibility of the individual Members of Congress—for a decision to be made to eliminate this duplication in the common-use field. If it is not advisable, if it is not safe for General Services to take over that responsibility for which it was created, then the military services should be required to take over the supplying of the civilian agencies of the Government, and GSA should be eliminated to that extent. I feel that strongly about it.

Mr. BONNER. Of course, I have high regard and respect for you. We have come a long way out here to see your installation, and see the men who are running it. We can have Mr. Larson before us most any time in Washington, and I want this subcommittee to ask some questions to this staff out here. I want some answers from this staff. That is the reason I directed the question to you, Mr. Bradford, because you are regional manager.

So this subcommittee wants as many answers and ideas and suggestions as can be given from this staff. You gentlemen, of course, are costing the Government a lot of money. I believe you are justified.

Mrs. Harden, I believe you have some questions.

WHAT ADDITIONAL WORK CAN GENERAL SERVICES ADMINISTRATION DO?

Mrs. HARDEN. Mr. Chairman, first I should like to express my appreciation to Mr. Larson and his staff for your kind invitation to attend the dedication of the warehouse today. I congratulate Mr. Bradford, Mr. Mack, and Mr. Larson upon the fine addresses which they gave, too. They were very inspiring.

I wish to ask Mr. Larson this question: Could you take over the 124 items Nation-wide, and also run a regional and national test, for the Air Force?

Mr. LARSON. Well, I don't know—"and also run a regional and national test." I think that would be a test in itself, the success we would have on a Nation-wide basis of fulfilling the needs of not only the Air Forces, but all the military installations on those 124 items.

Mrs. HARDEN. Perhaps if you could just do it in one or two regions, then, would that be better?

Mr. LARSON. I think that would only delay the time when the whole job should be undertaken. That is my personal feeling.

We could do it on the basis of a territorial division, such as a region or several regions, but inasmuch as our regions do not exactly coincide with the military regional commands, I feel that it would be more expeditious to just take it on completely. Now that we have the warehousing facilities, the capital funds and the trained personnel to meet the requirements, we could do that. If we didn't have that I wouldn't say what I have said.

NEED FOR GENERAL TOP POLICIES

Mrs. HARDEN. Thank you. And wouldn't it help if a general policy statement were issued by the Air Force and the General Services Administration, so regional agreements will not be necessary in the future?

Mr. LARSON. I think you are absolutely right.

Mrs. HARDEN. Another question: How are you going to be able to get accurate requirements data from the Government agencies, including the military?

Mr. LARSON. We will just have to trust the feeling of responsibility and sense of urgency on the part of the military supply officials to provide that data to us.

I might say that that is one of the most difficult areas, and one to which we have given a lot of consideration. We have come to the conclusion that we can start with these 124 items, and then as we agree on what common-use items are, take over very rapidly from that point on; and during that same period of taking over, get a more accurate idea as to what the requirements are.

NEED FOR ACCURATE REQUIREMENTS

To give you an example of what we are faced with: In trying to work out with the Air Forces in a certain area what their requirements would be we got a statement that they would require 2,700 items. That would run around $300,000 or $400,000, over a 6-month period. I have forgotten what the figure was. At the end of that 6-month period the Air Forces had only procured some 700 items, at a cost of about $100,000 or $125,000. We had gone to the expense of stocking all of those items in anticipation of that business.

Obviously that situation is not going to permit us to do the kind of job we need to do. We are going to have to take over, if we do this job, the stocks of the Air Force or such other civilian or military installations for which we take over the supply function. They will supply themselves for a certain period of time, let us say 3 months, for

example; and if they have not planned properly, then it will become obvious in that 3-month period of time, and appropriate adjustments can be made.

But I don't think a lot of time should be spent again in each area trying to determine definitely what the requirements are. I think we should accept what the military estimate their requirements are when we take over their inventories—which we should do if we are going to do the job, because otherwise you cannot eliminate the duplication.

Mr. BRADFORD. Mr. Chairman, may I supplement that from the regional point of view, in supplementing the answer to your question, Mrs. Harden.

We have an agreement here with the Sixth Army which we made locally, that we would draw up a list of items of common supply which we could furnish for all the uses within the Sixth Army. The Sixth Army covers a little more territory than my region does. It covers the Seattle region of the GSA, and part of the Denver region of the GSA. So we talked to the Denver and Seattle GSA people, and they agreed to go along on this thing, if they could firm up the thing in the Sixth Army.

NEED FOR STANDARDIZATION OF ITEMS

The first problem we faced was one of standardization of supply, so that when they said they wanted paper towels we would know exactly what they meant, and they were the same paper towels that we supply to other agencies—paper towels, or any other item of that type. That consumed a little time, probably 6 weeks, to arrive at the description, so that No. 968 paper towels was the same to both of us.

Then after we agreed on the items it took us another 60 to 90 days to get the requirements from the Sixth Army so that we would know how much they wanted to stock. And then they had to give us 90 days to buy the supplies before we started issuing them.

So any sort of agreement of this type you are talking about has a lead time of 5, 6, 7 months after the agreement is made, to allow the issuing agency, in this case the GSA, to get ready to deliver. So the decision has a lead time of 7 or 8 months.

ARMY-NAVY DISTRICTS OVERLAP

Mr. BONNER. The Army and the Navy have their districts set up alike; do they?

Mr. BRADFORD. No; they overlap a good deal. The Western Sea Frontier Command is a good deal different than——

Mr. BONNER. Well, the Sixth Army Area——

Mr. BRADFORD. The Sixth Army Area would overlap the Twelfth Naval District and the Eleventh Naval District, and also the Thirteenth, you see.

Mr. BONNER. It would be three times as large?

Mr. BRADFORD. Yes, roughly, geographically.

Mr. BONNER. There is no way that you could make your district conform to the military districts?

Mr. BRADFORD. If we conformed, Mr. Chairman, to the Army's pattern we would then be overlapping the Navy ourselves.

Mr. LARSON. There is no way.

Mr. BONNER. If the military had uniform districts it would be a simple matter to have your districts conform with the military districts, then.

Mr. BRADFORD. We have an awful lot of trouble with regional boundaries when we work out in the field territory. If all of the Government agencies had uniform boundaries the Government of the United States would save a lot of money in administrative expense. We deal with five forestry headquarters in this one small region that I represent. I think the figure is five.

Mr. BONNER. If you took over the 124 items would the military have to retain existing staffs to supply the balance of the items?

Mr. BRADFORD. I don't know enough about the military staffs to answer that. They would certainly have to retain some sizable portion. They might be able to give up the purchasers who were buying those items, but not all of their purchasing or warehousing staffs.

Mr. BONNER. Were you finished, Mrs. Harden?

Mrs. HARDEN. I have just one more question:

While on the tour of the warehouse I observed a high wire fence near the railroad. I am wondering if you have much loss due to theft or pilferage.

Mr. BRADFORD. Mrs. Harden, our inventory was run the last week in February this year, and we turned up almost no loss at either one of the centers, either Los Angeles or San Francisco. But in this center here we have so many foreign truckers coming in to pick up supplies that without any enclosure, we found people wandering around the bin sections, and once in a while we would have to take a box of pencils away from them. So it was decided to buy a fence that would last 100 years, and not have to follow the truckers around, or any of our own people, or strangers who might go in, such as the big crowd we had today. We watched them, too—not you, but the outsiders.

Mrs. HARDEN. Thank you.

Mr. LARSON. Mr. Mack might elaborate on that from the standpoint of the country as a whole. Would you do that, Cliff?

Mr. CLIFTON E. MACK. Yes; I would be glad to. We do have some occasional losses due to theft. It is not a big item. All of our supply centers are subject to guard supervision.

There are one or two points I would like to make:

Mr. LARSON. Let's develop this a little further first.

It has been our experience that when we have segregated what we call bin items, the items where you have to break the package and put them in a bin, like package of pencils and a lot of items like that, in order to supply small orders for isolated stations, and so forth, that if you enclose them your losses go down. We do have some losses. I think, however, our losses Nation-wide are under the normal inventory losses due to theft and pilferage that the larger merchandising installations carry. At one time I know the mail-order houses figured approximately 5 percent loss through pilferage in some of their operations. It isn't running that high now, and ours certainly would not run 1 percent.

Mr. MACK. Those losses are written off at the end of the year, so that we start the new year without any carry-over, of course, of the value of those losses. But they are a very small figure.

Mrs. HARDEN. I am sure of that. Thank you. That is all.
Mr. BONNER. Mr. Holifield.

TRANSFERS TO GENERAL SERVICES ADMINISTRATION FROM MILITARY SERVICES

Mr. HOLIFIELD. I was thinking about the problem that you have of transition from military supply system to your GSA supply, and it would seem to me that you would have a period of transition there where duplication of staffs and stocks would almost have to be maintained because of your lag in your pipeline.

Would you think of taking over physically if there were such an agreement reached? Would you think of taking over physically the warehouses, the inventories, and the personnel of the Military Establishment? Would that be your thought, and immediate take-over? How would that be worked out?

Mr. BRADFORD. I can answer that from the San Francisco point of view. To some degree, if the pipeline were cut off, say 3 months in advance, which is the thing I understand has been discussed with the Bureau of the Budget, and the 3-month normal supply were left there, then the purchasing staff at that agency which normally requisitioned and ordered that sort of thing could be discontinued or transferred to other work immediately and the new agency could begin immediately to purchase it. They would still have the pipeline for a while, until the date arrived at by the agreement.

Mr. HOLIFIELD. Is it true that you would have to have quite an increase in your appropriations if you stocked enough in your warehouses to take care of this increased load? Has there been any estimate made on that point?

Mr. BRADFORD. The thing I am at a loss to understand, Congressman, is the amount of this new business which would be direct delivery. To the extent it is direct delivery it makes no impact on the physical plant, but only on the purchasing staff.

Perhaps Mr. Mack or Mr. Larson can answer you, but I cannot.

TURN-OVER OF STOCK

Mr. HOLIFIELD. For instance, I wasn't impressed with the figures you gave, that you would need a 3.6 inventory for a 4.2 issue. That didn't impress me at all. According to my merchandising experience, your turn-over there, particularly in view of the fact that you are operating what you might call a wholesale operation, is not nearly the turn-over that you should have of the stock.

Mr. BRADFORD. Mr. Holifield, the 3.6 inventory in the San Francisco Supply Center is only our current inventory, and not the average throughout the year. We have been building it up very rapidily. A year ago when we started the fiscal year 1952, we only had 6,000 items in that warehouse. Now we have over 10,000 items in anticipation of centralized issuance of common stocks.

Mr. HOLIFIELD. I see, then, that my evaluation wouldn't be fair to you if I applied the commercial evaluation in terms of turn-over to your inventory, if you are in a period of increasing inventory in anticipation of orders.

Now, have those orders been coming in from the military as fast as you expected?

Mr. BRADFORD. No.

Mr. HOLIFIELD. In other words, that must indicate, then, that you have to some extent a duplicate inventory over other inventories which are continuing to be held in military warehouses.

Mr. BRADFORD. Perhaps so. Or at least it indicates that I expected too much military business.

Mr. HOLIFIELD. That goes back to your agreement at the top levels. Under Public Law 152, of course, the Secretary of Defense has the right to restrict purchases to the zone procuring agencies, and although admonished by the President not to do that any more than was absolutely necessary, it seems like you get back to the old, old problem of the defense of the status quo and the reluctance to turn over and try this new system of procurement.

Mr. BRADFORD. Mr. Holifield, I can answer that specifically for this region. We have a team which has been traveling around this region visiting military installations one by one, and talking to all the procurement and responsible officials, installation by installation. We have, for example, visited every Air Force base in this region, and we got a specific list and agreement with them as to what items they would buy from us if we stocked those items. That is the way we grew from 6,000 to 10,000 items. We put those items on the shelf to meet the requirements of the other agencies and unfortunately the requirements did not materialize after we stocked the items, or didn't materialize in the quantity we were led to believe they would.

Mr. HOLIFIELD. I want to ask you a question, which you may or may not want to answer. Do you think that that failure to use your inventory was due to lack of enthusiasm on their part for the new system, or is it a legitimate, justifiable change in their own program of procurement?

Mr. BRADFORD. I think personally that it was due to the fact that the local people in the military do not have the freedom which they would like to have. To put it in common lay terms, the local people in the military would like to use our service a great deal more than they are able to under their procedures, in my opinion.

Mr. HOLIFIELD. Then it comes back to my original thought, that it requires implementation on the top level in Washington.

Mr. BRADFORD. That is our considered opinion here.

Mr. HOLIFIELD. Now, let me ask you this question: In the utilization of your stocks are these people just buying in hand-to-mouth quantities for spot delivery, or are they placing orders with you for future deliveries in large lots?

Mr. BRADFORD. Mr. Chairman, may I ask Mr. Maaske, our Federal Supply man here, to answer that question?

Chairman BONNER. Yes.

STATEMENT OF HARLAN C. MAASKE, DEPUTY REGIONAL DIRECTOR, FEDERAL SUPPLY SERVICE, REGION 9, GENERAL SERVICES ADMINISTRATION

Mr. MAASKE. Our experience, Mr. Holifield, would indicate that it is a combination of the two, that in many cases orders are coming in in very good faith and quite in line with previous estimates. In still

other cases the requisitions appear to be spotty, and we feel that it is probably due to at least two reasons. One, perhaps they had a change in requirements; and second, perhaps a change in the top-side instructions of the military for one reason or another has had its effect out at this local level. So I would say it is a combination of the two.

Mr. HOLIFIELD. Let me ask you this: Do your records show because of any reason, maybe not through any fault of your own, but through lack of inventory of proper items, you have failed to furnish them satisfactory service?

Mr. MAASKE. No, sir; I believe that we can say with confidence that we have been able to meet their requirements in a very satisfactory manner. At least, our percentage of back orders, which is generally taken as a pretty good indication, has been well below the 5 percent national average which GSA has established as being a reasonable performance.

We in this region have run somewhere between 2 and 3 percent for some 8 or 9 months. Therefore, from a standpoint of our having been able to furnish their requirements I believe we can say with full confidence that we have filled them and given service on the business that thus far they have sent to us.

Mr. HOLIFIELD. And of course if you limit that statement by the number of items that you are carrying in inventory——

Mr. MAASKE. Yes, sir; and the number of items upon which we have previously reached agreement with the military that we would stock up and supply them.

Mr. HOLIFIELD. Now I would like to ask this question: We have 10 regions throughout the United States, and I would like to know for my own information, and I think the subcommittee would like to know, if you have progressed as far in the other 10 regions, or if in some, how many regions, as you have in this particular region, in arranging these agreements with the military, and in procuring warehouse space, and stocking inventory, and so forth.

Mr. LARSON. I would say "No," Mr. Holifield. We have made more progress in this region than in any other of the 10 regions.

Is that not correct, Mr. Mack?

Mr. MACK. Yes.

Mr. LARSON. I would also like to add this to what Mr. Maaske said. And I would like, if it is appropriate, for Mr. Mack to make a brief comment on it, as he has great knowledge in this area.

As long as GSA remains just merely another source of supply for a military supply installation, we not only have failed to implement Public Law 152 to establish a Federal supply civilian type common use items system, but we have permitted and added to duplication. As long as it is a voluntary matter, obviously the installation, the overhead, the space, is going to be maintained.

Mr. HOLIFIELD. We can assume, then, that because of the aggressive leadership of Mr. Bradford and because of the willingness of some of the military people to cooperate with him in this area, that you have made better progress in this region than has been possible in other regions?

Mr. LARSON. We have gotten our warehouse situation more quickly under control in this region. We have from the national office favored

this region in order to gain experience that leads us to some of the statements that we have made here today.

This has been due in a very large part, however, to the complete willingness of the military commanders to cooperate, which is indicative of what Mr. Bradford said, that this is not a matter of attitude on the part of the local installation; it is a deep feeling on the part of the top echelons of the military services that they cannot depend upon GSA as a source of supply.

Mr. HOLIFIELD. And that is stronger, I suppose, in some of the other regions where their supply systems are more entrenched and larger than here in this quickly growing region?

Mr. LARSON. I think that is correct.

Mr. BONNER. Let me ask you this, Mr. Larson:

I want to give credit where credit is due, yet I don't want to leave in the record an inference that somebody else is not doing what he should do.

With respect to this area progressing so successfully, it is a condition that this area is removed from the principal source of supply of the Nation, compared with the New York area, for instance, where there is immediate availability of all materials that in this area might not be immediately available in volume, so that the agencies and departments of the Government would use this quicker out here and would use this in an interim when they run out of the materials in the warehouses here, waiting for larger shipments to their depots?

Mr. LARSON. I think that has a distinct bearing on the situation.

Chairman BONNER. On an over-all basis you are prepared to answer that question. Now, when the regular questions are finished by the committee of these gentlemen here, I want to know on the record who these gentlemen are, what they do, and if they have any suggestions about perfecting the efficiency of this agency.

Go ahead, Mr. Holifield.

Mr. HOLIFIELD. It comes down to this, it seems to me, that unless you take over in at least in one region the complete job of supplying at least one of the defense forces with everything they need, that we will be in a state of duplication of inventories, warehouses, and services; and the only fair test, it would seem to me, would be that you would take over the supplying of all items of common purpose and common use to at least one branch of the service, and then you would have a test of it.

But it seems to me, as you say, that you are being used as an auxiliary source of supply, and not as a substitution for an existing system of supply.

Mr. LARSON. I don't think a test is necessary in the sense that you have described it. I think GSA has established its ability to do the job. What remains is a reaching of agreement as to what constitutes the items that we will supply.

We have practically reached agreement, I hope, on these 124 items, and it is my hope, naturally, that the committee will come up with a recommendation to the Munitions Board and ourselves that GSA take over those items. Then I think we should immediately begin to push into the other items.

Mr. HOLIFIELD. You speak of 124 items. How does that group of 124 compare with the total number of common-use items?

Mr. LARSON. The total number of common use items, in my opinion, as I testified, is about 8,000 or 9,000; but dollarwise these 124 items constitute about 16 percent of the issues that the military establishments made from their depots in this country during the fiscal year 1952.

Mr. HOLIFIELD. That is for the Nation as a whole?

Mr. LARSON. Yes.

Mr. HOLIFIELD. It still would not eliminate a duplicate system of supply. You would still be another system of supply.

Mr. LARSON. It is not going to be eliminated until you reach agreement as to what are these common-use items. Until that is reached the duplication is going to continue. It will be eliminated as GSA takes over the inventory and distributes it out in accordance with the requirements of all the Federal agencies—and I mean taking it over, giving credit to the agencies from which it was taken. That is a matter for the Bureau of Budget to determine under the procedure which has been set up, and under the provisions of your act. The agency from which we take the investment over would not lose that investment.

Mr. HOLIFIELD. I understand that.

Mr. LARSON. The quicker we can come to that the quicker we can eliminate these duplications of inventory, which is the big item that we want to arrive at.

If we do it only in one region, we still couldn't do it on any more items than we have agreed are common-use items. So I say, we feel prepared to do it all over the country, and feel that we ought to do it all over the country.

SUBCOMMITTEE PUSHING ACTION SINCE JUNE 1951

Chairman BONNER. Let me read from the report of this committee in 1951, in Report 658:

SUPPLY RELATIONSHIP WITH GENERAL SERVICES ADMINISTRATION

Notwithstanding the intent of the Federal Property and Administrative Services Act of 1949, the Eighty-first Congress, the Federal Supply Service of the General Services Administration is furnishing only a minimum of such common supply items as pencils, typewriter ribbons, carbon paper, and so forth, to the military services.

Recommendation.—The General Services Administration, after advising and consulting with affected agencies, as provided in section 205 (h) of Public Law 152, should issue mandatory regulations for the procurement and distribution of common administrative supply items.

Now, back at that time this subcommittee was definitely on record as to what should be done.

Mr. LARSON. And may I say that we were in agreement with the subcommittee. It has taken longer than it should have taken for us to convince the appropriating bodies of the Congress that we should have the facilities to implement that, plus perhaps an overdegree of caution on our part, Mr. Congressman. I want to admit that publicly for the purpose of purging my own conscience, as it were.

Mr. HOLIFIELD. What is the annual capital fund that you have now?

Mr. LARSON. We have now, as a result of the last appropriation bill, $44 million.

Mr. HOLIFIELD. What was it before the last appropriation bill?

Mr. LARSON. $14 million.

Mr. HOLIFIELD. We attempted to raise it to $75, I believe.

Mr. LARSON. You did raise it up to $150 million.

Mr. HOLIFIELD. The statutory level?

Mr. LARSON. Yes; the appropriating authority is $150 million.

Mr. HOLIFIELD. But you have actually available $44 million?

Mr. LARSON. That is correct.

As fast as we have been getting it we have been implementing it. We have invested in inventory, Mr. Mack tells me, around $36 million, and we are investing more as the business develops.

Mr. HOLIFIELD. In other words, you can say that in the last year you have raised your inventory from about $14 million to approximately $36 million?

Mr. LARSON. That is right.

Mr. HOLIFIELD. You have almost trebled your inventory within a year, then.

INVENTORIES IN GENERAL SERVICES ADMINISTRATION WAREHOUSES AT SAN FRANCISCO AND LOS ANGELES

Mr. BRADFORD. Mr. Congressman, may I put the correct figures in the record on our inventory right on that point. You asked me awhile ago, and I have the figures now.

In the beginning of the fiscal year 1952—that is, a little over a year ago—the warehouse you visited today had $1,450,000 worth of stock. Now the warehouse has $3.7 million, almost $3.7 million, as I told you this morning.

In the Los Angeles warehouse a little over a year ago we had $1,182,000, and now we have in the Los Angeles warehouse $2,153,000.

So in both centers, as you imply, due to the new capital funds and the requirements from the Navy and the Army and the Air Forces which we thought were forthcoming, we have doubled our inventory.

Chairman BONNER. What is the stock in Seattle? You have a warehouse in Seattle; do you not?

Mr. LARSON. That is under a different region.

Chairman BONNER. You have only the two warehouses under this region?

Mr. LARSON. Yes, sir.

Mr. BRADFORD. Los Angeles and San Francisco.

Chairman BONNER. Here is a study made by the staff of this committee on this subject, which was issued August 8, 1952, "Briefings on Supply Relationship Between GSA and the Department of Defense."

I don't know whether you gentlemen out here have had an opportunity to read it.

Mr. WARD. May I explain, Mr. Chairman, this was made as a basis for getting together with Mr. Daly and Commander Raymond, to find out how far the situation had progressed with respect to those 124 items.

(See San Francisco Exhibit 1, p. 484.)

Mr. ROBACK. It might be well to point out, Mr. Chairman, in regard to the 124 items selected for study there is no indication that there has been any conclusion or any judgment that these were items feasible for distribution.

I thought that you might have left that impression, Mr. Larson, by what you said. The only agreement constitutes an agreement by the people who are making this survey to select those items for evaluation.

Mr. BRADFORD. Mr. Chairman, this region out here has not had the benefit of reading that report you just referred to. We all read avidly and with considerable interest and encouragement the report which you put out on your hearings; I think it was last March or April. We were very greatly encouraged and gratified by that.

Mr. WARD. Mr. Chairman, may I say that this is a committee print. Knowing that the subcommittee was coming out here we asked the folks from the GSA and the Munitions Board who were making this study to present the facts. And as Mr. Roback says, it is quite evident that the agencies are still in the stage of getting together, and we cannot anticipate which way the group making the study may decide the thing should go.

Chairman BONNER. I want all the data you have. This subcommittee is interested in this subject. We ought to find out where it is going, what it is going to do. We don't want another duplication.

Mr. LARSON. I would like for Mr. Mack to comment on Mr. Roback's statement.

I don't know that I understand what you said. I think you said that these items are not necessarily items that would readily go into the GSA system of distribution; is that correct?

Mr. ROBACK. You made a statement, Mr. Larson, which expressed the hope that there had been agreement on these 124 items. Now, that agreement, so far as our briefing indicates, was an agreement to select out those particular items for evaluation as to their feasibility; so that at this stage of the survey by the Munitions Board and the General Services Administration, they are merely now studying whether these items would lend themselves to GSA distribution.

Mr. HOLIFIELD. There has been no final agreement, then, as I understand that, that these particular items are feasible and are to be stocked?

Mr. ROBACK. No.

Mr. LARSON. Or to put it a different way, whether they are civilian-type common-use items.

Mr. ROBACK. I don't think there is any question as to that. These items were selected for special scrutiny, as I understand it, to determine their feasibility of distribution, of supply by GSA for the military. But it does not mean—and you might have given that impression—that these are items that GSA could well distribute. That finding has not been made.

Mr. LARSON. I think you have hit on a very important thing. I would like to have Mr. Mack comment on that.

STATEMENT OF CLIFTON E. MACK, COMMISSIONER, FEDERAL SUPPLY SERVICE, GENERAL SERVICES ADMINISTRATION

Mr. MACK. I would be glad to. The comments that I would like to make have to do with our stores items such as you saw today at our warehouse, and concern only that group of supply items.

About 2,000 of those items are authorized by the military departments for the Army and the Air Force for local procurement by them. The Navy has certain authorizations for local procurement. In other

words, about 2,000 of those items in our present store stock are not of the type that would be suitable for depot distribution by the military. Therefore, they authorize their local installations to buy in the areas where they are located.

Mr. HOLIFIELD. Mr. Chairman, I would like to stop Mr. Mack, if I may, right at this point, to make an inquiry.

Mr. MACK. Yes.

Mr. HOLIFIELD. Then these items are really spot items, spot purchase items, which in previous times they have bought from the different hardwares and other local supply houses, and there is a limitation on the amount that they can buy under that arrangement. It is in no sense an important part of their procurement.

Mr. MACK. That is right. I would like to clear up that point first. These items that I am now speaking about do not run into any great volume. Nation-wide the amount would probably run within $10,000,000. Our requisitions from the military today in Seattle and San Francisco and Dallas, for example, run about $300,000 a quarter.

We are not getting all of that business. It is spotty. We are getting all of the business from certain installations, a part from others, and none from others.

Going at this problem in the sequence that I have in mind, and which I have discussed with the Administrator, I would like to make the suggestion that has been expressed in a letter that was written to the Munitions Board by the Deputy Administrator of GSA, that the procedure that now exists governing the so-called locally authorized purchases of military items, about 2,000, be clarified so that we will in effect be a mandatory source of supply for those 2,000 or so items.

Mr. BONNER. Do you think that you can furnish those 2,000 items cheaper than locally existing stores can furnish them?

Mr. MACK. We feel that we can, because we would be buying those same items for all other agencies, whereas they would be filling their requirements in specific locations. We would in effect be giving them a bulk price for their small requirements.

We feel that in that area we can really provide a service and save some money in the cost of goods. So we are suggesting that this one specific area be cleared up; that the procedure be revised so that the qualifications which now exist in the instructions for military installations locally provide that we will be a mandatory source for those items.

That will largely be a clarification of procedure. It will mean that henceforth instead of our fellows dealing with each of these local installations to find out what the situation is it will be automatic; they will be dealing with us; it will be a specific and mandatory source.

That would take care of that category of items, not large volume, as I say, across the country, and would probably amount to $1 million or so for the year in this specific region.

Mr. BONNER. What would it cost you to handle those items?

Mr. MACK. We could absorb that work without additional cost ourselves, because they are items that we already carry in stock.

Mr. MAXWELL ELLIOTT. Mr. Mack, I wonder if I could clarify one point:

By "local procurement," you mean that the procurement authority is local, but when they buy it doesn't mean that they go next door to the store and buy, because they take bids and they may be buying from all over the country. There is quite an elaborate procedure in buying.

I just didn't want to have the impression left with the committee that the local procurement meant that they went next door to the hardware store.

Mr. MACK. The phrase "locally authorized for procurement" means that the installation of the military is authorized to buy where they are situated, from, of course, any source.

Mr. HOLIFIELD. They still have to go through the bid procedure?

Mr. MACK. Through the regular procedure.

Mr. HOLIFIELD. If the amount is over a certain amount?

Mr. MACK. They would follow the normal procurement procedure. Our suggestion, of course, would mean that they would get away from the bid procedure and send us a requisition, and we would send them the goods. It would not be a bid procedure so far as they are concerned, it would be a requisition procedure—more streamlined and less expensive.

Insofar as the primary stocks are concerned, the so-called depot stocks, those are the voluntary items. Those are the items you gentlemen have been taking about. Those are the items which this study concerns, having to do with the 124 items. The 124 items are a cross section of our 8,000 or 9,000 stores items. They were selected with the thought in mind that the study would cover paper towels, mimeograph paper, and various kinds of items that would be representative of across-the-board items that we furnish from our stores.

Those items are the so-called primary stocks of the military.

Perhaps some of this I am repeating from prior testimony you have had, but I would like to emphasize this point: Those are the primary stocks of the military. Those are the depot stocks of the same types of items which we carry in our stores. So far as those items are concerned I certainly feel, as the Administrator has expressed, that the time is just about appropriate for a discussion at a high level with the Munitions Board, because the report of the 124 items is now in process of being prepared. I think the final date of submission is about the end of this month. So the time is appropriate to reach a determination, and this is a No. 1 consideration as to just what we are to do in this area.

We feel, of course, that we can do the job. We feel if there is any job that a central supply organization can do it is in the common use item field, because we can look at it objectively, as to standardization, screening excess, and so forth.

When that determination is reached we would like to be in a position then to devote our time and effort into going ahead with the doing of the job, in other words, taking over the supply responsibility, not as a source of supply, because as a source of supply we are merely another organization like General Electric, Western Electric, any individual supplier whom their purchase organization would look to for the supply. We feel that the approach and basis upon which we would make savings would be to do the supply job for them within that field; in other words, carve out the common use item responsibility for supply of those items we carry in stores and say we will do the purchasing; we will do the distributing to their points of use for these eight, nine, or ten thousand items. They would requisition us from their points of use, and we would ship to their points of use.

There is no need at all of going through their procurement office, because in that event we would be duplicating; just as you inquired a

while ago as to whether that business exists, we would be duplicating if that were done.

We feel—and I am speaking now of discussions I have had with the Administrator, and if I am not saying this in line with his concept, I am sure that he will correct it—that once that determination is reached that we are the supply organization for the military service for these common-use items—the eight, nine, or ten thousand items—our No. 1 job is to determine the current requirements, and standardize these items. You will notice from that listing of 124 items that almost invariably every item has either packing requirements or nonstandard requirements, or specification variations that don't need to exist, for the most part. There may be some justifiable exceptions. We think, therefore, that instead of having four or five different types of paper towels for the military services and the civilian agencies we should have one type, or the fewest possible types, instead of having a number. Instead of having many types of a common use item that are serving the same end use purpose, we should have one, or a very few.

The job is now being done by three military departments for themselves. I am speaking now of the stock items, the common-use items. And we are doing the same job for the civilian agencies. That means that four organizations are doing the same job for the most part. We feel that as the job is now being done, we could take over the supply job, not as a source of supply, but as their supply organization. And the personnel now doing the job that we take over can be earmarked, the facilities can be earmarked to the extent that they are used for such purposes, and so forth. There are certain practical considerations with respect to space that exists one place whereas our needs might be in another place.

To the extent that we need additional funds—and we would need additional funds to do an increased job, to the extent that we need the funds for personnel—it should be less in the over-all, because instead of four organizations—the three military departments taking care of their own requirements, and we taking care of the requirements of the civilian agencies and serving on a voluntary basis for the military—there would be one organization doing the job.

We think that stocks in excess of the normal stock levels required for the military to do the job should be declared to us as excess, and those would become a part of our capital fund under the legislation which amends Public law 152.

In general, I think that that is the sequence that would be workable to do this in an orderly fashion without upsetting the military and without upsetting our own organization or the civilian agencies. The steps would be something like this: First, the agreement with the military to handle their common use items; second, determining requirements; third, establishing our lead time so that we will pick up with new stocks, to the extent that we will need new stocks to take care of further requirements, and of course transferring the excess stocks to the extent that that might apply. And I am speaking of excess stocks in this fashion, that if we are to be a central supply organization—and this is the principle we work on—there is no reason in the world why an agency that looks to us for these common use items needs to maintain more than a minimum current stock. These are commercial items. We have the inventory. They are items that are

produced every day. They are not special purpose manufactured items. They are used generally throughout the country. Consequently, that would be a favorable condition in determining inventory levels, and it is a factor that I wanted to bring out.

But I think the important consideration is that once this report is in, which will be very shortly, the report on the 124 items, and the recommendations are known, which will be the end of this month, that then, as the Administrator has indicated, a meeting with the Chairman of the Munitions Board or the Secretary of Defense, if necessary, may be arranged to reach agreement as to these principles, and from then on our efforts can be put into doing the job and accomplishing the transition which, as you pointed out, Congressman Holifield, does involve for that transition period some problems. But we have had those problems before. We can handle them. It is a matter of working together, and we have worked together with the military very nicely over the years; and we can, I am sure, do so again in arriving at an agreement.

Mr. HOLIFIELD. And the key to that would be the regulation from the Department of Defense making you the mandatory source of supply, rather than an optional source of supply.

Mr. MACK. That would be on the first category of the items authorized for local procurement. That can be done immediately. There is no need for any wait on that.

As a matter of fact, Admiral Ring has replied to the letter which was sent to him, indicating that they were favorable to a review of the regulations.

Mr. LARSON. We might make available to the subcommittee the correspondence for your record.

Mr. MACK. I would be pleased to give you the exchange of correspondence for the record.

Mr. BONNER. We will put it in the record.

(The information referred to follows:)

MUNITIONS BOARD,
Washington, D. C., March 2, 1951.

Memorandum for the Secretary of the Army through the Under Secretary of the Army.

Memorandum for the Secretary of the Navy through the Assistant Secretary of the Navy.

Memorandum for the Secretary of the Air Force through the Assistant Secretary of the Air Force.

Subject: Department of Defense policy on use of Federal Supply Service centers.

1. The military departments, acting through the armed forces procurement regulation conference held February 27, 1951, approved the following policy on utilization of facilities of the Federal Supply Service, General Services Administration, for supply matériel within the United States:

(*a*) The purpose of this policy is to enable the General Services Administration to provide more effective service to the Department of Defense and to other Federal agencies and to secure better prices on the basis of over-all Government requirements.

(*b*) To achieve results, military activities and installations located in the continental United States that are authorized to purchase locally their requirements for matériel will purchase such matériel from Federal Supply Service centers when—

(1) They have made prior arrangements with authorized field agencies of the Federal Supply Service to establish estimates of requirements and to assure availability of the items and quantities required;

(2) The matériel is identified as that available to and used by Federal agencies generally through facilities of the Federal Supply Service centers;

(3) Military effectiveness will not be decreased;

(4) Cost compares favorably with delivered cost of like items available from commercial sources; and

(5) The items do not require overseas packaging or packing.

(*c*) The above is not intended to preclude any additional arrangements for utilizing Federal Supply Service centers which may be agreed upon by the military department concerned and the Federal Supply Service. The Munitions Board Military Director for Supply Management will be informed of the additional agreements which are of an indefinite or long-term nature.

2. Necessary action is being taken to amend the armed services procurement regulation to conform with this policy.

3. It is requested that the military departments, in coordination with the Federal Supply Service, take necessary action to implement this policy.

J. D. SMALL, *Chairman, Munitions Board.*

ARMY PROCUREMENT CIRCULAR No. 3.

DEPARTMENT OF THE ARMY
WASHINGTON 25 D. C., *26 March 1951.*

ARMY PROCUREMENT PROCEDURE—AMENDMENTS

Paragraphs 1–609, 2–102, 2–202, 5–103, 5–301, 5–302, 7–568, 7–569, and 7–584 are added or amended, as the case may be, and paragraphs 1–353, 3–403, 7–150, and 9–505, are corrected as indicated below, *effective immediately.*

1. Paragraph 1–609.—Paragraph 1–609 is added as follows:

1–609 Vendor's Certificate. The Comptroller General has prescribed the following simplified form of certificate to be used by contractors and vendors on invoices and bills:

"I certify that the above bill is correct and just and that payment therefor has not been received."

The General Accounting Office has also authorized the same change to be made, when desired or deemed appropriate, in the wording of the vendor's certificate on U. S. Standard Form 1034 (Public Voucher for Purchases and Services other than Personal), pending revision of that form.

2. Paragraph 2–102.—Paragraph 2–102 is rescinded and the following substituted therefor:

2–102 Use of Formal Advertising.

a. Policy. Subject to such further instructions as may be issued by the Heads of Procuring Activities, during a period of national emergency declared by the President or by Congress, procurement by formal advertising will continue to be used. Formal advertising, however, will not be used when such use will adversely affect the acceleration of procurement or the broadening of the industrial base, or when in conflict with the policy set forth in APP 1–301. In complying with the provisions of this paragraph, formal advertising normally will be used in the following instances:

(1) In the procurement of standard commercial supplies or services;

(2) When the items being procured and the conditions are such that greater participation by small business can be obtained;

(3) When procurement by formal advertising will expedite the consummation of the transaction or will obtain the required items more rapidly than by negotiation;

(4) When there are no important factors to be considered in making the award, such as time of delivery, etc., other than price and it is anticipated that the supplies or services can be purchased more economically by formal advertising;

(5) When the list of suppliers to be solicited is extensive, full competition is desired and purchase by formal advertising will be accomplished more efficiently and expeditiously than by negotiation;

(6) In such additional instances as are deemed to be desirable.

b. Lists of Bidders. Current lists of bidders will be maintained. ***Requests for inclusion on such lists will receive prompt and courteous attention.*** Lists of bidders will be maintained in accordance with ASPR 2–202 and shall not include the name of any person or firm appearing in the "Consolidated Listing of Suspended and Ineligible Contractors and Disqualified Bidders" (APP 1–303*d*).

c. Classified Contracts. Procurements classified as confidential, or higher, shall not be effected by formal advertising, except when the Head of a Procuring Activity considers this method to be in the interest of the Government.

3. Paragraph 2–202.—Paragraph 2–202 is amended by changing subparagraphs 2–202.4*e*, 2–202.4*g*, and 2–202.4*h* (2) through (4) to read as follows:

2–202 Methods of Soliciting Bids.

* * * * * * *

2–202.4 Publishing in Newspapers. The publication of * * * time will permit.

* * * * * * *

c Rates.

(1) Advertising may be paid for at a price not to exceed the commercial rates charged to private individuals, with the usual discounts.

(2) All advertising in newspapers, however, shall be audited and paid at rates not higher than those charged the general public; but lower prices may be secured whenever the public interest requires it.

* * * * * * *

g. Forms.

(1) WD AGO Form No. 192 (Request for Authority to Advertise).

(2) The following Standard Forms for Government advertising are hereby prescribed and published for general use, in lieu of all other forms of like character previously used for this purpose:

Standard Form No. 1143—Revised (Advertising Order)
Standard Form No. 1143a—Revised (Advertising Order—Memorandum)
Standard Form No. 1144—Revised (Public Voucher for Advertising)
Standard Form No. 1144a—Revised (Public Voucher for Advertising—Memorandum)

The Comptroller General has directed that, in the interest of economy, the present supply of unused Standard Forms Nos. 1143, 1143a, 1144, and 1144a on hand and at the Government Printing Office will be used, until exhausted.

h. Use of Forms.

* * * * * * *

(2) Standard Form No. 1142—Revised, and memorandum therefor, Standard Form No. 1142a—Revised, were formerly used in obtaining sworn statements of commercial advertising rates. The Comptroller General under date of 2 January 1951 has declared these forms obsolete. This has necessitated changes in Standard Forms 1143—Revised and 1143a—Revised as indicated in subparagraph (3) below.

(3) Standard Form No. 1143—Revised and memorandum therefor, Standard Form No. 1143a—Revised, are the forms used to place advertisements with the publishers. The qualifications set forth in *c* above, with reference to the composition of advertising copy, should be noted in connection with the preparation of this form. Pending revision of the forms and in connection with subparagraph (2) above, the following deletions should be made:

(*a*) From authorization to publish—"charges for the same do not exceed the sworn rates on file or to be filed in this department or establishment and such";

(*b*) From "Instructions to Publishers"—The entire first paragraph and the following words in lines 3 and 4 of the second paragraph: "in the sworn statement of advertising rates on file in the General Accounting Office."

(4) The Public Voucher for Advertising (Standard Form No. 1144—Revised) and memorandum therefor (Standard Form No. 1144a—Revised), will be used by publishers to bill their charges against the Depratment for advertising published in accordance with the advertising order (Standard Form No. 1143—Revised). Pending revision of Standard Form No. 1144—Revised, the wording of the certification of the payee appearing thereon should be changed to read: "I certify that the above account is correct and just and that payemnt therefor has not been received." The original voucher for advertising (Standard Form No. 1144—Revised) is printed on the reverse of the original advertising order (Standard Form No. 1143—Revised). The memorandum voucher for advertising (Standard Form No. 1144a—Revised), is printed on the reverse of the memorandum advertising order (Standard Form No. 1143a—Revised). In no case will separate instruments

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be used for the ordering of advertising and the payment therefor. In connection with the use of this form instructions as set forth in *f* above should be followed.

4. Paragraph 5–103. Paragraph 5–103, Army Procurement Procedure, is rescinded and the following substituted therefor:

5–103 Procurement From Supply Centers of Federal Supply Service.

a. General Instructions.

(1) Installations of the Army Establishment in the continental United States authorized to purchase certain supplies locally will purchase such supplies from Federal Supply Service Centers when the following criteria are applicable (see also APP 5–301 and 5–302):

(*a*) The installation has made prior arrangements with the Supply Centers of the Federal Supply Service to establish estimates of requirements and to assure availability of the quantities of items required:

(*b*) The items are identified as those available to and used by Federal agencies generally through facilities of the Federal Supply Service Centers;

(*c*) Military effectiveness will not be decreased by any factors such as time of delivery or quality of items;

(*d*) The delivered cost of the items does not exceed the delivered cost of like items available from commercial sources; and

(*e*) The items do not require oversea packaging or packing.

(2) Additional arrangements may be made by the heads of technical services with the Federal Supply Service for the purchase of items other than those that have been authorized for local purchase. Such purchases will be subject to the conditions and regulations prescribed by the heads of technical services. Heads of technical services will inform the Assistant Chief of Staff, G–4, Department of the Army (Attn: Chief, Current Procurement Branch) when such arrangements have been made which are of an indefinite or long-term nature.

(3) The purchase of items from Supply Centers which are listed on any mandatory schedule of the Federal Supply Service (including Blind-Made Products) will be considered as compliance with such schedules.

b. Stock Catalogs of Supply Centers. Stock catalogs issued by each Supply Center, Federal Supply Service, list supplies regularly available for issue and contain instructions relative to the use of such catalogs. Supplies handled by these centers are, in general, supplies purchased for stock purposes by the Federal Supply Service. Such catalogs may be obtained from the appropriate supply centers.

c. Establishments. In addition to the establishment in Washington, D. C., the Federal Supply Service has the following Supply Centers:

Atlanta	Denver	New York
Chicago	Fort Worth	San Francisco
Cleveland	Kansas City	Seattle

d. Purchasing Procedure. Instructions included in the appropriate stock catalog will be followed in purchasing items, except so far as such instructions are modified in this part.

5. Paragraph 5–301.—Subparagraph 5–301*a* is rescinded and the following substituted therefor:

5–301 Prison-Made Products.

a. Requirement.

(1) All items manufactured by, and all services rendered by, Federal Prison Industries, Inc., shall be purchased from that agency, except (i) in those instances in which a general or special clearance for the purchase of the item or service from commercial sources has been granted, or (ii) for items being purchased in less than carload lots in accordance with (2) below.

(2) Procurement of less than carload lots of supplies manufactured by Federal Prison Industries, Inc., will be effected from the Federal Supply Service to the extent that such supplies are carried in stock by the Federal Supply Service, except (i) for supplies requiring oversea packaging or packing, or (ii) in those cases where the ordering installation or activity is so located geographically that it would be more practical and economical to purchase direct from the Federal Prison Industries, Inc.

6. Paragraph 5–302.—Subparagraph 5–302*a* is rescinded and the following substituted therefor:

5–302 Blind-Made Products.

a. General. Supplies listed in the Schedule of Blind-Made Products issued by the Federal Supply Service, General Services Administration, will be procured from non-profit-making agencies for the blind at prices determined by the Committee on Purchases of Blind-Made Products: provided, that the procurement of such supplies amounting to less than carload lots will be effected from the Federal Supply Service to the extent that such supplies are carried in stock by the Federal Supply Service, except (i) for supplies requiring oversea packaging or packing, or (ii) in those cases where the ordering installation or activity is so located geographically that it would be more practical and economical to purchase direct from the agencies for the blind.

7. Paragraphs 7–568 and 7–569.—Paragraphs 7–568 and 7–569 are added as follows:

7–568 Contract for Off Duty Academic Instruction.

a. This form consists of DA AGO Form 588. Instructions for its use are contained in SR 355–30–1.

b. The form is available for supply from adjutant general publications depots.

c. Authority is granted in effecting procurement outside the United States, its territories and possessions to deviate from the form to the extent indicated.

(1) Article 5—Disputes—on page 3 of form: Substitute "disputes" clause prescribed in APP 7–103.12*c*.

(2) Article 9—Antidiscrimination—on page 3 of form: Delete article. See APP 7–001*b* (1) (*d*).

(3) Article 10—Eight-Hour Law of 1912—on page 3 of form: Delete article. See APP 7–001*b* (1) (*d*).

(4) Article 11—Convict Labor—on page 3 of form: Delete article.

7–569 Order Form to Contract for Off Duty Academic Instruction.

a. This form consists of DA AGO Form 589. Instructions for its use are contained in SR 355–30–1.

b. The form is available for supply from adjutant general publications depots.

5–570 Reserved.

8. Paragraph 7–584.—Paragraph 7–584 is added as follows:

7–584 U. S. Standard Forms of Bonds for Government Contracts.

a. The following standard forms, revised November 1950, have been prescribed for use in connection with Government contracts:

(1) U. S. Standard Form 24—Bid Bond.

(2) U. S. Standard Form 25—Performance Bond.

(3) U. S. Standard Form 25A—Payment Bond.

(4) U. S. Standard Form 27—Performance Bond (Corporate Cosurety Form).

(5) U. S. Standard Form 27A—Payment Bond (Corporate Cosurety Form).

(6) U. S. Standard Form 27B—Continuation Sheet (Corporate Cosurety Bond).

(7) U. S. Standard Form 28—Affidavit of Individual Surety.

(8) U. S. Standard Form 34—Annual Bid Bond.

(9) U. S. Standard Form 35—Annual Performance Bond.

b. Present supplies of U. S. Standard Forms of Bonds for Government Contracts (Nos. 24, 25, 25A, 25–B, 25–B1, 25–B3, 25–C, 25–C1, 25–C3, 34, and 35) listed in paragraphs 9, SR 310–20–6, may be used until exhausted.

c. The revised forms are referred to in section X (Bonds and Insurance) of this Procedure.

9. Corrections.—The following corrections are made in paragraphs of the Army Procurement Procedure as indicated:

a. Paragraph 1–353.—The term "Head of the Procuring Activity" is changed to read "head of technical service," and the term "Procuring Activities" is changed to read "technical services" wherever such terms are used in paragraph 1–353.

b. Paragraph 3–403.—The reference to "ASPR 3–203" in paragraph 3–403 is changed to read "ASPR 3–403."

c. Paragraph 7–150.—The reference in the sixth line of subparagraph 7–150.1*b* to "subparagraph (b)" is changed to "subparagraph (a)."

d. Paragraph 9–505.

(1) The reference in lines 6 and 7 of subparagraph 9–505.9 to "items *a* to *d*" is changed to read "items *a* (1) through *a* (4)."

(2) Subdivisions *a*, *b*, *c*, and *d* of subparagraph 9–505.9 are redesignated as (1), (2), (3), and (4).

[AG 400.13 (20 Mar 52)]

BY ORDER OF THE SECRETARY OF THE ARMY:

OFFICIAL:
EDWARD F. WITSELL
Major General, USA
The Adjutant General

J. LAWTON COLLINS
Chief of Staff, United States Army

HEADQUARTERS AIR MATÉRIEL COMMAND,
WRIGHT-PATTERSON AIR FORCE BASE,
Dayton, Ohio, July 16, 1951.

Subject: Air Force policy on use of Federal Supply Service centers.

To: ———.

1. The Federal Supply Service, General Services Administration, maintains Federal supply centers strategically located throughout the United States for the purpose of serving all Government agencies located within their area. Addresses of the various supply centers are contained in paragraph 6.5, AFPI 70–6. Headquarters, United States Air Force, has concurred in the following Department of Defense policy concerning utilization of the facilities of the Federal Supply Service centers by Air Force installations within the United States.

(*a*) The purpose of this policy is to enable the General Services Administration to provide more effective service to the Department of Defense and to other Federal agencies and to secure better prices on the basis of over-all Government requirements.

(*b*) To achieve these results, AF installations located in the continental United States that are authorized to purchase locally their requirements for matériel will purchase such material from the Federal Supply Service centers when—

(1) Prior arrangements with the authorized field agency of the Federal Supply Service have been made to establish estimates of requirements and to assure availability of the items and quantities ordered. Estimates must be furnished sufficiently in advance to permit the Federal Supply Service to establish the required stocks before orders are submitted. The requirements may be submitted in the form of estimates of future average monthly demand of the items concerned, together with an indication of the frequency with which each item will be ordered, or the requirement may be furnished in such other manner as may-bes acceptable to regional Federal Supply Service officials. In instances where previous arrangements have been made with the local offices of the Federal Supply Service to stock Air Force requirements, as much advance notice as possible shall be given to the local office concerned when a material increase or decrease in requirements is anticipated. Such notice is necessary to permit timely adjustment consistent with the changed requirements.

(2) The items of supplies being ordered are identified as those which are available to and used by Federal agencies generally through facilities of the Federal Supply Service centers. Items available from Federal Supply Service stocks are listed in their Store Stock Catalog, copies of which are available from the nearest regional office of that agency. Additional items of a similar nature may be stocked for issue to AF installations after making prior arrangements with the Federal Supply Service.

(3) Military effectiveness will not be decreased, and established deadlines may be met.

(4) The ultimate cost through Federal supply centers compares favorably with the delivered cost of like items available direct from commercial sources.

(5) The supplies being ordered do not require oversea packaging or packing.

(*c*.) Items to be obtained by an installation from the Federal Supply Service stocks should be consolidated on the same requisition whenever possible so that the numer of requisitions submitted by an AF installation is kept to a minimum.

2. It is anticipated that the above policy will be included in AFR 70–16 in the near future. A standardized method of ordering is also under consideration and when approved will be included in applicable regulations. Pending such action,

necessary operating arrangements will be made between regional Federal Supply Service officials and the AF installation concerned.

3. Disseminate only to AMC activities geographically within your area including AMC exempted installations and organizations and AF specialized depots. This letter has been forwarded to the Headquarters of major AF commands for dissemination to installations under their direct command jurisdiction.

BY COMMAND OF LIEUTENANT GENERAL CHIDLAW:

LESTER W. LIGHT
(For James F. Early, Brigadier General, USAF, Chief, Supply Division).

DEPARTMENT OF THE NAVY,
BUREAU OF SUPPLIES AND ACCOUNTS,
Washington, D. C., June 4, 1951.

From: Chief, Bureau of Supplies and Accounts.
To: All field purchasing activities.
Subject: Federal Supply Service centers; use of.
References: (*a*) Paragraph 23031–2, BuSandA Manual.
(*b*) BuSandA Circ. ltr S–711 L4 A2–6/1 of 16 Apr 1951.

1. Federal Supply Service centers are the store system of the General Services Administration and were established by Public Law 152, Eighty-first Congress. The centers are located at Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Kansas City, Los Angeles, New York, San Francisco, Seattle, and Washington, D. C.

2. The military departments, acting through the Armed Services procurement regulations conference held February 27, 1951, approved the following policy on utilization of facilities of the Federal Supply Service, General Services Administration, for supply material within the United States:

(*a*) The purpose of this policy is to enable the General Services Administration to provide more effective service to the Department of Defense and to other Federal agencies and to secure better prices on the basis of over-all Government requirements.

(*b*) To achieve these results, military activities and installations located in the Continental United States, that are authorized to purchase their requirements for matériel locally, will purchase such matériel from the Federal Supply Service Centers when:

(1) They have made prior arrangements with authorized field agencies of the Federal Supply Service to establish estimates of requirements and to assure availability of the items and quantities required.

(2) The matériel is identified as that available to and used by Federal agencies generally through facilities of the Federal Supply Service centers.

(3) Military effectiveness will not be decreased.

(4) The items do not require overseas packaging or packing.

If the above criteria are met and if the prices and delivery time are equal to or better than outside sources, it is mandatory that such items be procured from the General Services Administration. When local procurement of an item is authorized, the Stores Stock Catalog of the Federal supply centers should be checked for availability of stock prior to procurement through commercial sources.

3. The items available from Federal Supply Service stocks are listed in their Store Stock Catalog, copies of which are available from the nearest regional office of that agency.

4. The purpose of this policy is to facilitate procurement by the Navy of those items which are not under centralized inventory control and is not intended to limit the Navy in any manner in the stocking of GSSO items. It merely permits the Navy to purchase the items it requires which are not under centralized inventory control and which the Navy does not presently contemplate placing under inventory control.

5. Federal Supply Service centers will be considered only as another commercial source of supply for the material required, with the exception of Federal prisons and blind-made products and the items listed in paragraph 23031–1, BuSandA Manual, which are mandatory for procurement from Federal supply schedules.

J. L. HOWARD
(By direction).

Mr. LARSON. I would like to elaborate on what I said about the 124 items in response to Mr. Roback's comments. I was speaking of my concept. As I see it, we are ready to test the feasibility of these 124 items, by making it mandatory that they be procured from GSA sources. That will test the feasibility. I am opposed to isolating on a very small scale a few of these items, in order to test the feasibility of GSA supply. I think that is so time consuming—and we have already consumed 3 years in reaching where we are today—that none of us will live long enough to see Public Law 152 implemented as it was conceived by Congress, unless now that we know that we are a dependable source of supply we are enabled to move in on a mandatory basis.

Mr. ROBACK. I didn't want to suggest for the subcommittee, Mr. Larson, that we were defending that particular approach to this kind of determination. In fact, many of the subcommittee members, I know, feel that the process of testing selected items is a vast, complicated process, a technique which the subcommittee has described in one of its reports as an eclectic approach to the problem, because you could probably test in the wide range of some millions of items from now until Doomsday and you would probably reach a conclusion that is positive with respect to one item and negative with respect to another, and the results would probably be equivocal.

Chairman BONNER. Mr. Kennedy desires to ask several questions.

Mr. KENNEDY. Hasn't one of the difficulties in field administration been that the regional organizations in the GSA have not been able to function as you desire because in dealing with other civilian agencies your regional directors have broad authority that is not matched in the other agencies? Therefore, what Mrs. Harden was directing her attention to would appear to be the only answer, until that defect is corrected. The general policy considerations emanating at the departmental level would appear to be the only answer.

Mr. LARSON. I think that is right, Mr. Kennedy. In those agencies where the authority for operation in the field is held very closely on the departmental level in Washington, only a general departmental expression of policy and issuance of directives will solve the situation.

I might say this, as a result of my observation, that there is a tendency to loosen up, to become more decentralized, on the part of the agencies of the Government. But GSA being a new organization, we had an opportunity to go further in that direction than old-line organizations that had been dedicated to the old concept of controlling every item from Washington. So we have had, as Mr. Kennedy says, great authority in our regional operations. It is regrettable from our standpoint, at least, and I think many other standpoints, that many agencies have not yet seen fit to put that same confidence in their regional officers.

Mr. KENNEDY. Wouldn't that appear to be an area in which the subcommittee could gainfully devote itself, when you consider that these civilian agencies, for instance, and in some cases the local military commander, could set at naught the very purposes of Public Law 152 in this fashion?

Mr. LARSON. I would certainly assume that it would be an appropriate area to examine.

Mr. KENNEDY. As Administrator, it might be helpful to the subcommittee if, in your responsibility in making recommendations to the Congress, problem areas of that nature could be brought to the attention of the subcommittee, and the civilian or military agencies that are holding up this area and blocking it were singled out and Congress given an opportunity to explore the reason why they haven't decentralized their authority.

Mr. LARSON. I think in our last report we did. It might have been a special report either to the Senate committee or House committee. We did point out the difficulties of operating without comparable authority in the field with other civilian agencies.

However, we interpret Public Law 152 as giving us the authority to issue a directive regardless of the attitude of the civilian agencies on decentralization; and it is our responsibility to report to the Congress if our directive is not adhered to in that connection by the civilian agencies.

Mr. HOLIFIELD. Have you issued those directives to the civilian agencies?

Mr. LARSON. For the most part, yes. There again we have made the cautious approach. We wanted to be certain that we could fulfill the requirements when we have issued a directive assuming that.

Mr. HOLIFIELD. You expressed confidence in your testimony previously that you had reached a point now where you can render the service?

Mr. LARSON. Yes; we have the facilities in every region now in the supply field to meet any job that could conceivably be given to us at this time in the field which we are discussing, except perhaps in the Atlanta region. There we have had an extremely difficult problem in warehousing, which we are just now working out, and the time there would be somewhat longer than in other regions.

But, as Mr. Bradford pointed out, the natural time lag in taking over inventories and transferring them and so forth would give us an opportunity to get far enough ahead on our facilities, our program of construction in the case of warehouses, to meet requirements.

Mr. HOLIFIELD. Is it your intention to issue those mandatory regulations shortly that have not been issued?

Mr. LARSON. That is correct, just as soon as we have the facilities to do so and have established by surveys that it is economical for us to do so.

Mr. HOLIFIELD. It would seem to me that you would be in a stronger position to represent yourself to the military establishments as a supplier if you had accomplished the job within your own province of civilian agencies first.

Mr. LARSON. I think that the apprehension on the part of the military is different than that of the civilian agencies, as I expressed awhile ago.

Mr. HOLIFIELD. Their apprehension is different, but your own schedule of accomplishment within the civilian agencies, where you do not have to concern yourself with their antagonistic attitude, it would seem to me would indicate that you should solve your own problems within the civilian agencies first.

Mr. LARSON. Yours is an excellent suggestion, Congressman Holifield.

Mr. MACK. There is one further point I might mention, which I intended to comment on before:

You made a statement, Mr. Chairman, about the Air Force having indicated that they would be prepared to go ahead as soon as we were ready to handle their common-use items, as I recall it. I do think that, in the discussion with the Munitions Board, this is a matter that should be taken up with them, so that we could give every consideration as soon as possible to looking into that problem.

Mr. BONNER. That was not my statement. It was the statement of the Secretary of the Air Force. Of course, if you gentlemen are not capable of handling this, and prepared to handle it, then you get this committee in a peculiar position, because we have been hammering at this thing for some time. And this hearing is bringing a lot of doubt into my mind as to whether you are prepared to do the job, if you haven't got confidence in yourselves.

You have been in business now how long?

Mr. HOLIFIELD. Three years.

Mr. BONNER. I do not want to be a party to bringing about a chaotic condition.

Mr. HOLIFIELD. It is true—is it not—that your cushion of appropriations is only between 6 and 8 million dollars?

Mr. LARSON. It is only about $8 million.

Mr. HOLIFIELD. How far will that go toward providing you with enough capital funds to do this job?

Mr. LARSON. We have calculated the risk, and I am disturbed about Congressman Bonner's statement that we have created doubt in his mind as to our ability to do the job. I thought I had been emphatic in the expression of my own confidence in our ability to do the job; and I thought what we showed you today by way of our facility indicated that we had at least in this area the ability to do the job. And the calculated risk is the time lag that is physically necessary to take over inventories and to reach agreement on items.

The cushion is not great, and if the Congress does not see fit to support the program by way of appropriations it could not go on. There is no question about that.

Mr. BONNER. Is there any way you could have an interchange of funds with the Air Force?

Mr. LARSON. Public Law 152 and its amendment provides——

Mr. BONNER. An advance of funds, instead of an interchange of funds.

Mr. LARSON. I think there is a provision for advance of funds, yes; but I personally don't think that is necessary.

Mr. BONNER. I did not mean exactly that you have disillusioned me altogether, but I think this hearing has opened my eyes quite a bit. I was in hopes that you were far more advanced than you are, from what I understand here.

Mr. LARSON. In what way, may I ask?

Mr. BONNER. Prepared to take care of this. We have been driving at the armed services to utilize your organization.

Mr. LARSON. I think we have advanced just about as rapidly as we have been financed. We certainly would not have been justified in taking over any responsibility in the areas that we have been discussing here a year ago, compared with the justification we have today for doing it. And, in addition, there is the acquisition of facilities,

the acquisition of warehouse space, the training of personnel, and the reaching of agreements.

Mr. BONNER. The existing warehouse space supplied these functions; is that not right?

Mr. LARSON. Yes, but that was so widely scattered that it could not be economically utilized in a central operation. Otherwise, we would lose the benefits of elimination of duplication over a large part of the area.

Mr. HOLIFIELD. Mr. Chairman, if I may interpose a thought here, it seems to me that the testimony that you have given, Mr. Larson, indicates that you have utilized the increased appropriations, which were at $14 million a year ago, and then you were given this additional appropriation up to $44 million. The fact that you have advanced and used up to $36 million does indicate that you have been rapidly using your available appropriations; so, it does seem to me that you have made remarkable progress in jumping from $14 million and using an additional $22 million within the year.

Am I right in those figures?

Mr. LARSON. That is correct.

Mr. HOLIFIELD. And you are rapidly nearing now the end of your $44 million appropriation?

Mr. LARSON. That is correct. And if we were to take over the inventories of the civilian and military agencies in these items, of course, we would give them credit for what we take over up to the inventory level agreed upon with the Bureau of the Budget, as Mr. Mack explained.

Mr. HOLIFIELD. May I ask, is that inventory level $44 million?

Mr. LARSON. That inventory level will vary as to the installation and so forth, whatever it is. If we take over the Veterans' Administration's inventory of office supplies—let us say that that inventory on a 3-month level or a 4-month level is $10 million; that we would determine would be a reasonable level as to what they should have in stock under reasonable management; then we would give them credit for the $10 million. But, if it is $12 million, that additional $2 million is an accretion to the capital funds.

Mr. HOLIFIELD. Would you have to have specific authorization to exceed your $44 million inventory?

Mr. LARSON. We already have it.

Mr. HOLIFIELD. You have that from the Bureau of the Budget?

Mr. LARSON. We have it from your committee and from the Congress, in the last amendments to Public Law 152 (Public Law 152, 82d Cong., 2d sess.), where the authorized capital of the "General supply fund" was increased from $75 million to $150 million. It is up to the Appropriations Committees to approve that appropriation, if it is justified.

Mr. HOLIFIELD. Then you could take over any inventories that would be available to you, and establish a credit for that agency; and then, as far as the replacement of that inventory is concerned, once that had been issued it would depend upon your appropriations?

Mr. LARSON. That is right.

Mr. HOLIFIELD. I have the train of procedure in my mind now.

Mr. ELLIOTT. I wonder if I might make one comment.

Mr. BONNER. Certainly.

STATEMENT OF MAXWELL ELLIOTT, GENERAL COUNSEL, GENERAL SERVICES ADMINISTRATION

Mr. ELLIOTT. We have had this problem in this committee before. It is an old problem, the problem of which comes first: the chicken or the egg. We have gone to the Appropriations Committee and said we need an increase in our appropriated capital before we can do such-and-such a job. And they would say to us, very reasonably: "Have you got an agreement to do the job? And if we say "No," then they say we are premature.

So, it is true that if we take over all the common-use items we are going to need more appropriations in our capital. But I do think that to get that from the Appropriations Committee—and I personally believe that we will—we need to be able to go to them and say, "Here is the deal we have set up with the Air Force. Mr. Gilpatric and Mr. Larson have agreed to it."

Mr. HOLIFIELD. Based on a mandatory regulation that they should use your agency, you would have your agreement, then, as a basis.

Mr. ELLIOTT. That is right.

Mr. BONNER. Mr. Ward.

Mr. WARD. Mr. Chairman, along the line of Mr. Elliott's statement, at the little hearing we had on this study on the 124 items, it was made very clear that the decision would be in the military services as to what would be done. In the meantime the Air Force has expressed confidence in the GSA; they have been satisfied with the service they have been getting, and they say they would like to have GSA handle their administrative-type items. It is always better to deal with someone who wants to deal with you, and it is wise to get together at the Washington level with Mr. Gilpatric and find out what Air Force requirements are for these common items, how many million dollars are involved; match that with the capital $44 million, and the turnover—if you turned out the stock four times that would be $176 million instead of $44 million.

If funds are insufficient it may be necessary to get an advance under the Economy Act procedure.

Mr. ELLIOTT. We can get an advance under the Holifield Act.

Mr. WARD. It can be credited to "General Supply?"

Mr. ELLIOTT. Yes; we can, to be credited to the "General supply fund."

Mr. WARD. Either that way or the other way. At least you would be going forward in a positive way instead of this endless studying in detail of these 124 items.

Mr. ELLIOTT. That is right.

Mr. LARSON. That is right, Mr. Ward, and we have already taken steps with the Air Force to do just that.

I might point out that the Air Force, being a new service, does not have the installations which are duplicated by GSA installations such as the old services have; so the Air Force is consequently using GSA now to a greater extent than the other military services. Hence the actual savings in installation cost and elimination of duplication will not be so great. But we welcome the opportunity to demonstrate to the military as a whole our ability to meet their requirements by meeting the requirements of the Air Force.

Mr. WARD. Then in 1 month or 2 months, or whatever is reasonable, you and Mr. Gilpatric can get together with this subcommittee and Mr. Holifield and see what progress has been made, so that the thing will be punched through.

Mr. LARSON. You are absolutely right, Mr. Ward. We have to get away from the 3 years required to reach agreement on this little thing, this book of memorandums of understanding here, which don't mean anything after we have reached them if they are not implemented, and if we are involved in endless committee meetings and discussions on all levels of the Military Establishment.

Mr. WARD. That is right. You have to have a good, positive program in order to get somewhere in a matter of a few months.

Mr. LARSON. To the extent that we have the facilities to do this we are chafing at the bit to do it. Our chafing results from our feeling that Congress meant what it said when it passed the Holifield Act. We are not going out here and seeking this because we want more work, or we want to build an empire. We are trying to implement the express desire of the Congress.

Mr. KENNEDY. Isn't it also true, Mr. Larson, that in the absence of these agreements the seeking of an advance of funds from the Air Force or the Army, and possibly getting them, would amount to a circumvention of the appropriating committees, which would be frowned upon in view of the fact that the money was allocated by them for possibly other purposes?

Mr. LARSON. I don't think so, in view of the specific legislation in Public Law 152 authorizing us to do that, plus the Economy Act legislation that Mr. Ward has spoken of. That would be well within the expressed policy and authority of the Congress.

To be quite frank with you, because of the actual set-up of the appropriating machinery of the Congress, where there is no place in that machinery to evaluate objectively the benefits of the General Services Administration, we welcome an opportunity to serve a customer, because we think we can go along with the Air Force to the Armed Services Subcommittee and convince them of our ability to take on that portion of the military job and do it cheaper, as we have discussed here today. We must move into that field of informing the Congress, and particularly the appropriating bodies and subcommittees of the Congress. If we don't, in my opinion 12 months from now GSA will have to be liquidated, because I think it is just that crucial.

I had a call the other day from a very high officer of the Government, the head of a department, who called on me to inform me that he was being a nice fellow, that he was informing me as to what he was going to do in the next Congress. He was going to the Congress and ask them to pass legislation giving him specific authority to handle his own space, to lease and to take care and clean his own administrative space, for the reason that General Services was cleaning the offices of his department once a week, cleaning the windows an average of once every 6 months, and other things that we have been forced to do because the Congress does not give us the money to do more.

Now, if that situation happens in that great big department of our Government, the dam will have been broken and we will have 94 agencies of the Government in a very short time running the price of real estate up here in San Francisco to such astronomical figures that the

chamber of commerce will be calling you gentlemen back here to do something about it, because the civilian population can't compete with it.

That is just one example of how crucial the situation is insofar as GSA is concerned.

Mr. KENNEDY. Do you think, Mr. Larson, that that stems from a lack of appreciation of the stand Mr. Holifield has made consistently that this is a general services agency for all Federal agencies, and especially the civilian, and not just an additional agency tacked onto the rest and participating at the same level?

Mr. LARSON. That is exactly right. We have got to create somehow, somebody has, the concept in the Congress that we are comparable to the General Accounting Office. We operate right across the board on administrative services like the General Accounting Office operates in its ability to audit all of the accounts of the Government right straight across the board, for the benefit of the Congress. We do it not only for the benefit of the Congress but for the benefit of the taxpayer and everybody else concerned.

Mr. BONNER. Mr. Larson, have you streamlined your Washington, D. C., organization as much as possible so as to put more funds into the field?

Mr. LARSON. That is a matter of opinion that might be debatable, Mr. Bonner, I would say.

Mr. BONNER. I am not wanting to debate it. I just asked you as the Administrator.

Mr. LARSON. After that preface, I am going to give you my opinion, which is "Yes."

Mr. BONNER. Now, I would like for the record to know who these gentlemen are that are attending this hearing. Will you please just start over here and give your name and title, or what you do.

Mr. ROBERT L. BENNETT. My name is Robert L. Bennett, Chief of the Federal Supply Division at Los Angeles.

Mr. EARL R. MORFORD. My name is Earl R. Morford. I am Chief of the stores division for this region of the GSA.

Mr. ROBERT C. UTZELMAN. My name is Robert C. Utzelman. I am regional traffic manager.

Mr. DARREL E. BRAY. My name is Darrel E. Bray. I am stores division liaison officer.

Mr. ROBERT E. RENO, Jr. My name is Robert E. Reno. I am Chief Inspector for the Federal Supply Service.

Mr. ROBERT I. ASHBY. My name is Robert I. Ashby, and I am chief of the purchase division, consisting of an operation both at Los Angeles and San Francisco, in this coordinated stores and purchasing program.

Mr. HARRY FOLMER. My name is Harry Folmer. I am the Acting Chief of the Personal Property Utilization Division.

Mr. REX A. FONES. My name is Rex A. Fones. I am Chief of the Accounts and Reports Division in the Office of the Comptroller.

Mr. RICHARD H. GREENBURG. My name is Richard Greenburg. I am regional comptroller.

Mr. RAY M. MCNARY. My name is Ray M. McNary. I am Chief of the Building Management Division, Public Buildings Service.

Mr. BONNER. Now I want to ask a question.

In the system in General Services where you gentlemen work can you make suggestions as to how to operate this organization better, in your individual functions?

VOICES. Yes; there is.

Mr. BONNER. And do you offer suggestions as to how to operate your functions?

VOICES. Yes; we do.

Mr. BONNER. Do you get any improvement?

VOICES. Yes; we do.

Mr. BONNER. Are there any other questions that the subcommittee desires to ask?

Mr. ROBACK. Just one point, Mr. Chairman: The question was raised at this briefing session back in Washington as to whether, if there were standardization of these items that were selected, these 124 items that would have made any difference to the possible conclusions.

In other words, if there were many variations of items would that have made the GSA's assumption of the supply of the military so complicated that results might have been, so to speak, negative rather than positive? And the answer was that that would have made no difference.

Those conducting the study stated that whether these items were standardized or not wouldn't make any difference as to the feasibility of GSA's distribution. These 124 items actually are only a few separate categories of items. For example, there are 7 items of computing-machine paper, 25 items of mimeograph paper, 13 items of manifold paper, and so forth. In other words, of the 124 items that were actually selected for scrutiny, there are just about 6 or 8 or 9 or 10 actually different items.

Mr. ROBACK. That is right.

Now, the question is, if there were standardization and effective cataloging of those items would that possibly make a difference as to the feasibility of the GSA supplying the military in this field?

Mr. LARSON. I should say obviously it would make it eminently more practical and easier to do, and obviously much more economical.

Mr. ROBACK. That seems to be a common-sense conclusion, and it was other than what was stated by the representatives of the survey at the hearing. I merely wanted the record to show that.

Mr. BONNER. Mrs. Harden, do you have any further questions?

Mrs. HARDEN. No further questions.

Mr. HOLIFIELD. I would like the record to show that, while I am not a member of the Bonner subcommittee, I am intensely interested in this matter, as it does stem from legislation which was sponsored by the Holifield committee. And I want to express my thanks to Mr. Bonner for his courtesy in inviting me to participate in these hearings, and the ones that preceded it, which I was unable to attend. And also my appreciation to the other members of the committee, and especially my appreciation for the fine work that they are doing along this line. I think it is going to be of great value in the implementation of Public Law 152.

Mr. BONNER. I want to express again my thanks and the appreciation of the subcommittee for your full cooperation, and tell you that we have enjoyed being with you, and if there is any misunderstanding about any questions or answers or expressions, just let us know.

Mr. BRADFORD. Mr. Chairman, may I say for the record that it was a great honor for us to have your committee inspect our warehouse operation today, and we are very grateful to you for taking the time and having the interest to go down and really study it the way you did.

Mr. HOLIFIELD. Mr. Chairman, if I may interpose again, I would like to say that I am planning to take a different subcommittee to Seattle and to Alaska on another trip of committee business, but I would like to have the staff alerted, if you have a staff in Alaska, and I know you do have in Seattle. I would like to spend a few hours in each place looking into the GSA operation in those areas.

(Whereupon, at 5:50 p. m., Tuesday, August 26, 1952, the subcommittee adjourned.)

FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT—PART IV

(Section 1)

(Meeting held at Headquarters, Utah General Depot, Ogden, Utah)

THURSDAY, AUGUST 28, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
Ogden, Utah.

The subcommittee met at Headquarters, Utah General Depot, Ogden, Utah, at 9:30 a. m., August 28, 1952.

Present: Representatives Herbert C. Bonner, chairman; (Mrs.) Cecil M. Harden, and Chet Holifield.

Staff members present: Thomas A. Kennedy, general counsel; Ray Ward, staff director; and Herbert Roback, staff director, Reorganization Subcommittee.

Also present: Hon. Harold Pearson, Deputy Assistant Secretary of the Army, Research and Matériel; Maj. Gen. P. H. Tansey, Assistant Chief of Staff, G–4; Maj. Gen. H. Feldman (retired); Brig. Gen. I. K. Evans; H. A. Abersfeller; Col. Alexander A. Dobak; Col. L. L. Skinner; E. H. Ward; Col. C. P. Cook; Maj. N. W. Davison; Maj. Thomas S. Braswell; E. C. Burnett; Rear Adm. C. H. Gillilan; Commander F. E. Johnstone; Lt. G. R. White; John F. Kinnemann; Shirley R. Shelton; Col. H. R. Volin; Maj. R. Pollack; William G. Leithiser; and Max W. Petersen.

Colonel SKINNER. Gentlemen, we are honored this morning by having with us Hon. Herbert C. Bonner, who will open the conference that we have this morning.

Mr. BONNER. The subcommittee will come to order. Colonel Skinner, and other gentlemen of your staff, this is a subcommittee of Government Operations Committee of the House of Representatives. Those present are Mrs. Harden, of Indiana; Mr. Holifield, of California; and myself. These are other members of the subcommittee who were unable to be present with us today, but they have been present on practically all of the other hearings we have conducted. The staff of the committee is composed of Thomas Kennedy, general counsel; Ray Ward, staff director of the subcommittee; and Herbert Roback, staff director of the Holifield Subcommittee on Executive and Legislative Reorganization.

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[1] Name changed to Committee on Government Operations, July 4, 1952.

I am sure you gentlemen are aware of the fact that Congress delegated to the Committee on Government Operations the responsibility of investigation of expenditures of Federal funds in the executive, legislative, and judicial branches of Government. The subcommittee therefore is a management committee. This subcommittee's concept of right is to get the most for the least and get the best for what we spend. We have reached the point in our national life when we must conserve and make better use of the materials we have. We are almost becoming a "have not" Nation. The competent Paley Commission on Mineral Resources has recently pointed out that we may be in critical need of many items by 1975. In other words, our wastefulness may deprive our children of the things that we have today. In addition to the procedure we have followed for years, we are, at best leaving an enormous debt for those who will follow after us—it is $260 billion now and growing daily. Our annual budget of $80 billion adds its weight to what may take years and decades to liquidate.

BULK OF BUDGET FOR MILITARY SUPPLIES

We know that the bulk of the budget is for military supplies and equipment. We have understood that there is an important merchandizing study being conducted here. This subcommittee has visited installations on the Atlantic seaboard; we have been out and visited certain installations on the Pacific coast; we have been around the world. We know there is a spirit of cooperation among the men in the armed services; we know the men in the armed services are just as interested in economy and efficiency as the Members of Congress and the membership of this subcommittee. The point is to find ways and means to bring this to pass and to get the three branches of the national defense to cooperate and work together to reduce unnecessary expenditures by cross-servicing, consolidation, and the interchange of ideas and to serve each other.

POSSIBILITIES FOR SAVINGS

Our reports and hearings gave the Senate a great deal of sound information on which to bring about amendments to appropriation laws during the last session and reductions in the Federal budget. I say these things not to brag nor to seek undue credit, but to illustrate the untold millions and billions that can be saved, in the opinion of this subcommittee. This subcommittee has not indulged in sensational publicity. We have tried to find the fundamental things to point out and to work on to get improvements. There are many things that we might have pointed out to the newspaper people, but we are interested in you; we admire the men that wear the uniform; we don't want to bring any undue criticism; we don't want to reduce the striking power of the armed services; we want to, if possible, lend such aid as we can to effect a more efficient striking power and a more cohesive striking power, both in the air and on the seas and on the land. So, with that, Colonel Skinner, you and your staff now tell this subcommittee just what you are doing and what you contemplate doing and how you propose to buy more efficiently and economically and change some of the old ways into more modern businesslike practices.

STATEMENT OF COL. L. L. SKINNER, COMMANDING OFFICER, UTAH GENERAL DEPOT

Colonel SKINNER. The Honorable Mr. Bonner, Mrs. Harden, Mr. Holifield, members of the congressional committee, and distinguished visitors, I am Colonel Skinner, commanding the Utah General Depot, and it is my pleasure this morning to welcome you to this installation. We hope that your visit will prove to be instructional as well as pleasant. Further, we sincerely hope that as a result of your visit you will be able to point out to us how we can improve our operation and assist you in your objective to obtain the maximum defensive value for each tax dollar expended. I do not believe the objective set for this depot differs materially from that of your subcommittee. However, our sole purpose for our existence is to insure that our combat troops have timely and adequate supply of all items which will insure the combat effectiveness of our troops in any situation they may face. I do not believe it is out of order to state that we realize our responsibility for the economical operation of this depot. However, the success we obtain in this respect makes us realize that even in this small segment of our supply system, there are areas in which economies can be effected. The elimination of these problem areas and the struggle to reduce the cost of each operation are a constant challenge to the depot commander.

MANAGEMENT OFFICE

To assist me in these problems I have a very efficient and active management office charged with management surveys, analysis of operations, and reappraisal studies, and to make to me recommendations to correct our deficiencies. I have with me on this platform this morning Mr. Elmer Ward, who is chief of my management division, who will later on address you and give you a more comprehensive picture of the statistical part of the depot.

In addition to that, at the depot at the present time we have Lieutenant Colonel Cook and Major Davison—Colonel Cook from the Office of the Comptroller of the Army and Major Davison from the Office of the Assistant Chief of Staff, G–4, who are engaged in conducting a test of a simplified supply system which we hope will render our present procedures more effective and more economical. They will explain this later on in the morning in detail.

ORGANIZATION OF UTAH GENERAL DEPOT

At this time I would like to take a few minutes to acquaint you with our organization. As the name implies, the Utah General Depot, we have five of the technical services operating under their respective chiefs of service in Washington for the technical operations of their section. These are the Adjutant General Supply Section, Chemical Supply Section, Engineer Supply Section, Quartermaster Supply Section, and Signal Supply Section. These are operating under their respective chiefs of service in Washington. In addition to that, on the same operating level, we have the defense printing plant, operating under an industrial fund basis and providing printing service on a competitive basis to all Government agencies in the Pacific area.

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DUTIES OF DEPOT COMMANDER

The responsibility of the depot commander with respect to these various operating agencies is to provide administrative and common services which will enable the operating sections to carry out their mission. In this regard, we have the transportation division which supplies transportation for all of the operating services; also the depot facilities division, which we know as our utilities division; our engineering section. Then I have the adjutant's office; the civilian personnel office and the fiscal office which handles all of our funds—the expenditures—and the handling of our fiscal matters within the depot. We have the miscellaneous services office, which provides other services such as maintenance, salvage, security, machine records—all operating under the maintenance branch. We have a common box shop for all the operating services.

We have at this depot a commander of troops. At the present time we have three organizations: a quartermaster base depot company, a salvage company, and a subsistence company; they are here purely on a training mission—on-the-job training—prior to their assignment for an overseas mission.

As to my own special staff, I have my management office headed by Mr. Elmer Ward, who provides management consultant service to all operating branches and divisions at the depot. In his office is the control of our operations. In addition to that, my special staff, which provides the housekeeping facilities we need; safety director, intelligence, public information, troop information, restaurant officers, and such varied services.

SPECIAL ACTIVITIES

We have certain separate activities on the post. We have the quartermaster general stock control field liaison office; we have an ORC instructor's office out of the Sixth Army; the Army Audit Agency is present at the depot. We have a United States Army finance officer—we supervise the personnel and assignment of personnel for the quartermaster; we have the Denver Market Center and then we have the Department of Defense commercial warehouse field office. That in brief terms is the organization of this depot, and that, for your information, is all included in the brochure which is now placed on your desk.

HISTORY OF DEPOT

It might be appropriate at this time to give you a slight history of this depot. This is the site of the depot right up above the organization chart [indicating]. The strategic value of the Ogden area has long been recognized for military purposes. In August of 1940 the official selection and approval of the present site was authorized by the War Department. The final purchase of the depot site was accomplished in September 1940, and construction on our present site was begun in November and December 1940. By April 1941 we had completed our first warehouse. In July of the same year, 1941, they received the first order of supplies, which happened to be a carload of blankets. The depot was officially activated on the 15th of September 1941, and was known as the Utah General Depot. It has passed through several redesignations; it has been known as the quar-

termaster depot; as the armed services distribution depot, but eventually it came back to its original designation.

I would like to point out on the supply lay-out just above you a few of the statistics and a few of the things we have. At the present time you are seated in this building [indicating], which is the administration building, right here, located in this area. The depot is enclosed by a fence and the whole area includes some 1,670 acres of land. We have adequate road and railroad network system, serving all of our warehouses and serving the entire depot area. The road network is about 56 miles; we have about 45 miles of railroad within the depot, with our own marshaling yards, and so forth. We have 25 dock-level warehouses; these warehouses right through here [indicating] are of dock level, having both rail and truck transportation facilities for unloading and/or loading supplies. We have certain new construction which has been authorized by Congress for this depot. We have under construction four new warehouses in the area. Those will be dockside warehouses with rail and truck facilities. We have one open storage warehouse under construction—that is merely a shed. We have just completed a new engineer maintenance warehouse. We have proposed for construction a new box shop. At the present time our box shop is occupying this section of the warehouse, occupying excellent warehouse space, and it would be more convenient and better operated if it could be in a separate building.

We also have for the Signal Corps a proposed cable-processing building located over on our marshaling yards. We have at the present time our officers' quarters; we have about 52 sets of quarters which are remodeled barracks type buildings, wartime buildings remodeled into apartments. We have authorized and now under proposal to let the contract for a housing project up in the northwest corner of the depot in this particular area right here [indicating], which is particularly suited for the construction of the projects. That has not progressed to the point where any construction or where any contractor has a contract at the present time.

Now, in addition to this, practically all I have given you in the chart up here will be in your brochure on a lay-out of the depot.

Now, at this time I would like to call Mr. Ward, who will be able to give you a more comprehensive picture of what we are actually doing at the depot, our mission, and how we are attempting to run the Utah General Depot.

Thank you very much.

STATEMENT OF ELMER H. WARD, CHIEF, MANAGEMENT OFFICE, UTAH GENERAL DEPOT

MISSION OF DEPOT

Mr. ELMER WARD. Chairman Bonner, Members of Congress, and guests, I would like to go into a little bit of detail in regard to the mission of the depot and all of the various technical services at the depot over-all; while there are individual and separate missions for each one of the five technical services, the over-all mission I would like to express this way.

They serve the Sixth Army area, the San Francisco port, Seattle port, and Los Angeles port, the Far East Command, Philippines,

Alaska, and, generally speaking, those areas which are in the area of coverability. The maintenance activities of the various sections cover the Sixth Army area, reaching into the Fourth and Fifth Army areas.

I would like to go specifically into the mission in a very short manner of each one of the various technical services:

The adjutant general section handles public bills of lading and blank forms. Their mission covers the Sixth Army area, Fifth and Fourth Army, and all of the Far East Command, Alaska, and the Philippines. They have a storage and stock-control mission.

The Chemical Warfare Service section has a distribution mission within the Sixth Army area as well as support through the ports of embarkation. They have a stock-control and storage mission also. They stock what is known in the Chemical Corps as general supplies, which consist of special items such as gas masks, flame throwers, and decontaminating units.

The engineer supply section does not have a distribution mission. It is a key depot; a reserve depot. It receives its shipping instructions from St. Louis or from the general depot section in Sacramento. It has a stock control and storage and a very large maintenance mission.

On this maintenance mission it repairs all types of engineer equipment: Fire trucks, motors, compressor tanks, and all various types of items which you will see in your tour today.

The quartermaster supply section has a distribution mission. It has an accountability depot mission. It is also storage for key items, and has a reserve mission. The quartermaster supply section has storage points located in the Sharpe General Depot, the Auburn General Depot, and Mira Loma Quartermaster Depot, and accountability for the Sixth Army area and for the Far East Command.

The Fifth Army area is controlled by the quartermaster supply officer at this depot. He also has the various storage locations that are mentioned, as well as a storage area at Utah, and handles his shipments wherever it is the most economical to ship the supplies and serve those particular areas.

The stock accounting control mission issues the shipping instructions. It was centralized back in 1948 during the economy movement. In addition to that, they handle the entire procurement for the depot, one single procurement system for the entire depot is under the quartermaster supply officer. He also has a very, very large maintenance repair shop, and in that repair shop he repairs such items as furniture, clothing, equipment, wooden and metal items, refrigerators, and special purpose supplies.

The signal supply section has a reserve mission with a stock control and storage and maintenance mission. It is a reserve depot. It gets its shipping instructions from the Sacramento depot. It has a large maintenance activity, a fairly large storage division, and a stock control.

In its maintenance activities it repairs radios, radar sets, generators, and various other items throughout the Signal Corps.

The defense printing service is a revolving fund operation, which was activated in July 1950. It was capitalized for around $142,000, with a working capital of around $55,000, and this service has to pay its own way. In other words, it gets reimbursement from its customers. It covers the entire area of distribution of any Government

agency involved, the Air Force, Navy—all departments—get their printing done here, and are billed for the service. They are a nonprofit organization. In other words, if their expenses are cut, and their efficiency improves, they reduce their prices.

Now, as Colonel Skinner pointed out, the organizational structure as indicated above furnishes the service, the central services, for this operation at this level of the organization.

TRAINING MISSION

We have here at the depot, in addition to that, some training missions; we have a school, a quartermaster storage school for training quartermaster officers. At the present time it is in operation and has 18 officers going to that school. After these officers graduate from school, they are assigned to the various activities throughout the zone of the interior, or overseas.

At the same time there is a maintenance school going on in the quartermaster supply section training 8 officers, and as Colonel Skinner mentioned to you about the training of the troops, of which there are 466 troops to be trained in this area.

PERSONNEL AT DEPOT

Now, to carry out this mission we have approximately 3,700 civilian employees assigned to the base here, about 81 officers, and 8 enlisted men. Actually, this depot is about 98 percent civilian operated.

SIZE OF DEPOT

We have 5,322,000 square feet of covered space, and approximately 690,000 square feet of improved outside storage, and 9,936,000 open storage square feet of space, semi-improved, here at this depot.

USES SOME ARMY NAVY SPACE AT CLEARFIELD

In addition to that, we have 240,000 square feet of space which we are now using from the Clearfield Naval Depot. I thought you might be interested in how this space is broken down. The Adjutant General has about 5 percent; Chemical Corps, 12 percent; Engineers, 13 percent; Quartermaster, 51 percent; Signal Corps, 15 percent; and Headquarters, 4 percent. At the present time the depot is 84 percent occupied over-all.

I would like to point out in this warehouse space figure I gave you we have a little better than 20,000 square feet of that warehouse space taken up by maintenance activities, such as I mentioned in these various shops of repair. A little over 20,000 feet of that is taken up by the maintenance activities.

CROSS-SERVICING

I think you would be interested in the cross servicing that is carried on within our mission here at the depot. The quartermaster section furnishes assistance to the Army as well as the Air Force. It also in its maintenance shop furnishes fifth-echelon repair for MAG equipment. In addition to that, they have a quartermaster operation and

an exchange-fund basis, which is simply units being rebuilt, like motors, hydraulic items, and so forth.

As an old item is worn out on the fifth-echelon basis, it is sent in for repair, and the repaired item is sent back. This service includes the Air Force as well as the Army. In a very similar fashion, this is carried out through commercial fields. In addition, our procurement service uses the services of General Services Administration on its purchases of all general supply items in compliance with the Department of the Army regulations.

The engineer and supply sections at this depot services for the Air Force as well as the Army in its fifth-echelon repair of heavy engineer items which are furnished to the Air Force, such as cranes, bulldozers, and items like that. They repair those for the Air Force.

The signal supply section furnishes cable and wire and other items of signal type of equipment to the Air Force.

The chemical section furnishes to the Air Force practically all of its types of items such as gas masks, decontaminating units, and so forth. Locally; here in this area.

I think we have an outstanding unification program in regard to the various services. The commander meets once a month and goes over executive policies of this area where they have the Army, the Air Force ,and the Navy, and from that it stems to our management and to our personnel, which I am a part of.

We meet periodically once a month to go over any problem that they may hand down to us for further investigation. This cross service and interchange of ideas is most beneficial in trying to find out how a better job can be done, and cheaper.

The interchange of ideas has certainly paid off a great deal. Another thing I might mention in connection with the cross servicing is the salvaging operation that is handled throughout this area by the Navy. The Navy furnishes that service. We have a fumigation chamber here at the depot. It is a vacuum-type, gas-operated chamber which will fumigate any infested clothing or items of food supplies. The Navy has a mission over there of returned personal effects as well as other supplies, and we furnish the service on fumigation. We have a labeling and analysis section down here which is utilized by the Air Force and the Navy.

INVENTORY AT DEPOT

I thought you might be interested also in the amount and kinds of supplies we have stored here at the depot. We have about 284,000 tons of supplies stored at this depot, the value of which is $667,397,551. Actually, we have problems we are working on all the time, and I would like to give you these figures on the turn-over of stock, and this is a project all sections are working on to try to improve and find out better ways of turning over the stock. You know as well as I do that there are many factors which affect the turn-over of Army supplies.

TURN-OVER RATES

The adjutant general section, on a tonnage basis here, turns their supplies over at the rate of every 14 months. The chemical supply section, which has ammunition, gas masks, and items like that that

are used in emergencies, turn over their supplies at the rate of 42 months.

The engineer supply section turns its over at a rate of every 19 months. The quartermaster supply section at the rate of 14 months; the signal supply section at the rate of 26 months, and naturally the various missions which are assigned them of a technical nature have a great deal to do with the possibilities of turning over those supplies; however, they are working with their chiefs of the technical services, and analyzing this problem from top to bottom.

KOREAN IMPACT

I would like to point out from this chart here how we were affected by the Korean situation in regard to almost an immediate tonnage operation. This will show you at the time the Korean situation hit us that this depot had to stand one of the biggest brunts, and was called upon overnight for tremendous amounts of supplies. This is the overall tons handled in 1950 and 1951. I might add that, during that time, to our knowledge and as far as our combat effectiveness was concerned, we feel it was outstanding, due to the fact we received many letters of commendation in regard to our efforts in getting supplies out to all the technical services and did not receive any complaints.

Mr. Bonner, as you mentioned in your talk as the purpose of your subcommittee, we would like to take a few minutes now to show what we do here at the depot in regard to improvement, to make the dollar stretch as far as it can.

We have some programs which we feel are quite effective, and I would like to take a few minutes to go over them.

MANAGEMENT PROGRAM

Here at the depot we have a management improvement program, and that program is both motivated and stimulated by all management improvement we can possibly put here, and into the depot, toward reduction in costs. We have a suggestion program in which suggestions are dropped into the boxes, and they are evaluated by the suggestions committee, and if they have any value, are passed on to the various chiefs of the services for their consideration and adoption.

We have a management reappraisal study. I am directed by the commanding officer and Office of the Quartermaster General, and my staff, in conjunction with the operators working together as a team, to make a reappraisal study for any improvement of every organization within this depot once a year.

We have a work simplification program. We have a campaign of work simplification, which will be covered a little bit later on, which we think is quite effective.

We have a standards program here at the depot, where we try to establish a standard of output on a given activity which we feel is based on the best known methods we know today, in an effort to see that the taxpayers are getting full return for their dollars.

We have a safety program, an efficiency-award program, a cost-conscious program; in connection with our standards program I brought down with me today an example of some of the charts we use in the chart room, and I would like to point out how we control the

work in our operation. This is the amount of tons. This happens to be a shipping activity, a C. and E. program, which is clothing and equipage of the Quartermaster Storage Division. This [indicating] is the amount of tons shipped. This is the standard for the ton. Our standard here at the depot for C. and E. is eighty-eight one-hundredths of a man-hour to ship a ton of C. and E. supplies, which would be about every 50 minutes that a ton of supplies or clothing and equipage will be moved here on shipping activity.

Here is one on receiving of subsistence. You will notice that the volume of work moved up and down by the operator on below the standard, and our standard here is forty-four one-hundredths of a man-hour per ton, which means every 24 minutes a ton of subsistence will come off a car and be put into the warehouse, whether it be truck or car. We have set up standards on the best-known methods that we know today, and assist our supervisors in every way in helping him in his operation.

This applies to items such as rewarehousing, receiving of general supplies, and items of subsistence. Here, I would like to point out, is a man-hour chart which we feel our standards program and our work-simplification program and all those other programs have paid us tremendous dividends. This is a man-hours item expended in the Storage Division. There are no activities excluded in this chart. All the way through the red line is a monthly operation, and the green line is the accumulative, as it moves along.

IMPROVEMENTS IN HANDLING SUPPLIES

In 1950 it required 3¼ man-hours per ton to handle all the supplies of the Quartermaster Storage Division. Today it is being handled in about an hour and a half. Now, how does that work in man-hours compare to dollars? We know there have been several in-grade raises, cost-of-living raises, for our in-grade employees, and we have our graded employees. So we are vitally interested to see if our improvement can keep up; to see the taxpayer is getting a dollar return in spite of those raises for the cost of living.

The green line is personnel cost only. The red line includes supply personnel and supplies. This is the total cost per ton of shipping supplies in our storage activity of the Quartermaster. This cost in 1950 went from $4.75 on personnel costs down to its present rate of $2.50, so we think in our efforts to improve our activity we are making the dollar stretch. However, we will also admit that there are always better ways and means of improving an operation.

You might be interested in regard to the various technical services and just how their dollar is expended. Over-all, for the depot, 3 percent for all technical services in this level is taken up by the section heads, 4 percent for stock control, 33 percent for storage, and 60 percent for the maintenance activities, dollarwise. This is how it is broken down by the various technical services here at the depot. You will note that there is no maintenance cost within the Adjutant General section.

In the Chemical Corps 12 percent; Engineer, 62 percent of his costs are maintenance; Quartermaster, 75 percent; and Signal Corps, 19 percent.

Mr. BONNER. How does your cost compare to other depots of this category?

Mr. ELMER WARD. We feel that our costs——

Mr. BONNER. Is a comparative cost study issued so you can see what other depots are doing?

Mr. ELMER WARD. Not all the way across the board, but on certain accounts. The Office of the Quartermaster General and various technical services issue a cost of operation. However, these things vary a great deal due to the plant facilities, and they give us special appraisal for the operation. But where the facilities are comparable we feel our costs compare very favorably.

Mr. BONNER. Do you have any record on it to show?

Mr. ELMER WARD. Yes, sir.

Mr. BONNER. For instance, comparing this depot to the Atlanta general depot or some other depot?

Mr. ELMER WARD. We could do that on specific accounts; yes, sir. What I mean by "specific accounts," Mr. Bonner, is receiving and/or shipping, or the stock-storage operation.

Mr. BONNER. On what it costs to handle.

Mr. ELMER WARD. Yes, sir.

Mr. BONNER. Can you give us a sample of that for the record?

(The material referred to follows:)

DEPARTMENT OF THE ARMY,
Washington, November 26, 1952.

HON. HERBERT C. BONNER,
Chairman, Intergovernmental Relations Subcommittee, Committee on Expenditures in the Executive Departments, House of Representatives.

DEAR MR. BONNER: I am writing to provide information about the operational costs of Utah General Depot as compared with other quartermaster depots, and also to send various reports requested by your subcommittee on your recent visit to the Utah General Depot.

As an illustration of the differences in operational costs among the various depots, I am transmitting, as enclosure 1, a report showing the labor costs involved in shipping and receiving operations at the quartermaster depots and the quartermaster sections of general depots for the period from January 1, 1952, to June 30, 1952. This report also describes the factors, such as differences in depot mission, location, and types of transportation, which account for the variations in operational costs. While the figures in this report show only the labor costs involved in shipping and receiving operations, there are similar variations in other operational costs which result from the same factors described in this report.

The Management Handbook for Supervisors which is used at the Utah General Depot and copies of certain other reports prepared at the depot are also forwarded in compliance with your request.

I trust this will provide the information you wished. If you have further questions, please feel free to call on us.

Sincerely,

B. A. MONAGHAN, *Department Counselor.*

Labor costs of shipping and receiving operations per ton shipped and received at quartermaster depots and quartermaster sections of general depots—6-month average, January 1 to June 30, 1952

Depot:	Cost per ton	Depot—Continued	Cost per ton
Atlanta	$0.94	New Cumberland	$0.70
Auburn	.59	Philadelphia	4.16
Belle Mead	1.78	Richmond	1.28
Charlotte	.97	San Antonio	1.03
Chicago	2.22	Schenectady	1.40
Columbus	1.48	Sharpe	.75
Fort Worth	1.05	Utah	[1].80
Jeffersonville	1.92		
Memphis	1.43	Average cost, all depots	1.13
Mira Loma	.64		

[1] This figure as the title indicates represents personnel costs for the receiving and shipping operations only, not for costs of baling and packing, storage administration, rewarehousing, etc. The $2.50 figure mentioned by the Chief, Management Division, Utah General Depot (during the committee's visit to that installation), reflected all personnel costs of the Quartermaster Storage Division including not only receiving and shipping but also baling, packing, crating, and strapping; administration of the storage division; major rewarehousing; processing for storage; maintenance and inspection in storage; and other storage activities.

The above figures were computed by dividing the number of man-hours expended in handling incoming and outgoing supplies at each depot by the total tons shipped and received by the depot. The resultant man-hours per ton figure was applied to the average hourly wage to give the labor cost per ton. Labor costs of bailing, packing, crating, strapping, and similar activities, which were not included in computing the above figures, show a generally similar variation.

Variation in labor costs of shipping and receiving operations at the various depots is caused primarily by the following factors:

(*a*) Average wages per man-hour vary from a low of $1.20 at the Charlotte Quartermaster Depot to a high of $1.65 at the Chicago Quartermaster Depot. The average for all depots is $1.45.

(*b*) There is a wide variation in the man-hours expended per ton of supplies shipped and received at the various depots. The average man-hours per ton for all depots is 0.78, with a high of 2.77 at the Philadelphia Quartermaster Depot, and a low of 0.36 at the Auburn General Depot. Among the factors which cause this variation are the transportation units utilized, e g., freight car, refrigerator car, truck; types of facilities at the depots, e. g., multistory warehouses, single-story warehouses, shed storage, ground-level warehouses; and the different types of supplies handled which reflect the widely variant missions of the depots. For example, the Auburn and Sharpe Depots handle a high percentage of subsistence items which can be shipped and received with a minimum expenditure of man-hours. By reason of their nearness to ports of embarkation, these depots can ship by truck on pallets with the pallets being returned economically on the empty trucks. This method of shipment, which cannot be used economically by other depots, increases efficiency as to tons shipped per man-hour. As a result, these depots show a low man-hour per ton figure. In contrast, supplies shipped and received at the Philadelphia Quartermaster Depot consist almost entirely of clothing and equipage items requiring a high expenditure of man-hours. Similarly the Jeffersonville Quartermaster Depot, where shipments consist of clothing and equipage and general supply items, and the Chicago Quartermaster Depot, with a high percentage of such items, show a high man-hour per ton figure.

(*c*) The condition of the labor market in a given area affects the efficiency of the depot operation insofar as types of labor available and turn-over of personnel is concerned.

Mr. ELMER WARD. Yes, sir; I could do that. I will see that you get that before you leave here.

I would like to bring out two or three examples. I have brought along today in regard to work simplification in making improvements in our operations; I have the truck loading dock chart of the OCO freight house and the warehouse. We have discovered through analysis and working with the Office of the Quartermaster General that

an improvement could be made in the way we loaded our trucks. Many of the trucks that come into our warehouse cannot come to the dock with the shipment. There is as much as 16-inch variance between the level of the truck and the dock because of different types of commercial trucks. Therefore it precluded them from entering and depositing the load, and backing out, and the load had to be deposited on a dolly and moved on in. We have made an analysis of the operation and it is presented here in pictorial form, very brief form, which I will pass around if you are interested.

This improvement saved at this depot $18,000 in our dock costs, and one of the byproducts of it was 6,000 square feet of space which was saved.

I have another example of an operation which is a cable rewinding operation in the Signal Section. This, in pictorial form, shows the first phase of rewinding this very heavy cable. Here is the second phase of the improvement in the operation, and the third phase, with industrial engineers working with the operators, and this is the final phase.

This operation was developed here, and was adopted by the Signal Corps throughout, and has been installed in overseas operation. This particular picture example in this operation shows a $16,000 saving for the type cable used. I have others here of sanding operations and loading and unloading refrigerator cars, and so forth. I could mention the one in the Chemical Supply Section where a change in the procedure was developed by the chemical supply storage officer which saved $160,000 in here and changed the entire procedure of testing flame throwers, for which we received a special commendation. We have developed what is known as a management handbook for supervisors, to further present all of these programs, down to the first-line supervisor, and to make the book more of a part of the managerial field of the operation, and to help him for self-improvement.

I would like to take a few minutes to go through this book. I have a copy of the pledge which we developed here on conservation:

> I give my pledge as a Department of the Army supervisor to defend from waste manpower and matériel and fiscal resources entrusted to me. I will strive to improve, economize within my scope of supervision. I will do my best to give maximum production with minimum cost.

With this book we include a mission of that employee's responsibility. His organization location here is one of the major elements in any appraisal. There is a specific blueprint for his authority, his responsibility, and that is broken down into three phases:

Phase No. 1: Full authority. That is what you are paid for—to do the job. Second phase of authority: Let him go ahead and make a decision and tell his superior what it was. Third phase: You have to see your superior and make your recommendation. That is spelled out for his specific job.

In the second phase we have the copy of the job description the employee is on. This is very simple. Using the same scale as I mentioned before of a pencil chart of his operation based on the standard. Here at the base we have a centralized system, and our accounting department will send back to any activity or department either weekly, twice a week, or twice a month, or monthly, depending on the need, reports as to how far along he is in the standard program for self-analysis. We do not wait for 1 month to go by to find out

where the self-analysis should have been made. This is informative to check the supervisor on his main elements, and watch his production daily, moving his people where they are needed, and here is a list of all his accounts that he has under his control. He has full responsibility in regard to these production items.

Here are certain techniques in which we have trained him. He has his task list for his employee, and is trained in using production flow charts and these techniques help him in analyzing his operation. Then there is an operating procedure.

His operating procedures are maintained in a separate file. Then they have a lay-out of his office; then he has a description of his file—what he should have in his file, and what makes a complete record of the contract.

Then he has a description of the forms, and reports he must make out; who they are to be made out to, and why they are to be made out. Then last, but by no means least, is his plan of operation for future improvement. We feel, and the personnel turn-over, and someone taking his job, he can show the record he has made, the guidance that has been given to him, and his plan for improvement to give to the next employee that takes his particular job. This particular book is broken down to the branch level where there is planning and responsibility. This does not go as far as the labor pusher is concerned, or the work leader; only authorities and responsibilities and the basic standards go that far down.

Mr. Bonner, it has certainly been a pleasure for me to be able to talk this morning to you, and present our efforts in what we are trying to do so as to simplify and improve our operation, and giving you an inside view of the over-all mission of the depot. If there are any other questions, I would be glad to answer them. I think we are scheduled for a 15-minute break, after which the presentations will continue.

(Recess taken.)

Mr. BONNER. I wonder if any of the members of the committee had any questions they would like to ask Mr. Ward, the gentleman who has just finished his discussion.

Have you, Mr. Holifield?

Mr. HOLIFIELD. No.

Mr. BONNER. Mrs. Harden?

Mrs. HARDEN. No questions at this time.

Mr. BONNER. Mr. Ward?

Mr. RAY WARD. I asked Mr. Ward if he would put in the record the value of inventory and the number of line items by technical services, and he is going to get that and supply it, Mr. Chairman.[2]

Mr. BONNER. Mr. Kennedy, were there any questions you would like to ask?

Mr. KENNEDY. No, sir.

Mr. BONNER. Mr. Roback?

Mr. ROBACK. Not at this time.

Mr. BONNER. Gentlemen, this subcommittee came out here knowing you had a merchandising test going on here. Of course, we have visited other depots, and I want to know just what is being done in

[2] Data in subcommittee files.

this test. I understand that Mr. Pearson has set up the test and is directing it. I would like to hear from Mr. Pearson.

Mr. PEARSON. All right, sir. We will be pleased to discuss it.

Mr. BONNER. I don't want to disrupt your schedule, but that is our prime interest here.

Mr. PEARSON. The plan Colonel Skinner worked out was to follow now immediately with two discussions specifically pointed to the test application at the Utah depot providing the detail and the background against which, then, if it pleases you, I will be glad to go over it.

Mr. BONNER. That's all right; I just wanted an understanding about it that we are going to hear you.

Colonel SKINNER. The next speaker will be Major Davison, who will explain the simplification system we are working under.

STATEMENT OF MAJ. N. W. DAVISON, UNITED STATES ARMY

Major DAVISON. Mr. Chairman, members of the subcommittee, and distinguished visitors, I am going to offer a brief presentation on the background, score, and objectives of the simplified supply test now under way at this depot.

ARMY REPORTING SYSTEM TEST

In 1950, in September, the Secretary of the Army ordered that a survey be accomplished to ascertain the accuracy and timeliness of the Army reporting system in the field of supply and procurement. To conduct this survey, the services of Mr. Harold Pearson, formerly vice president-treasurer of Montgomery Ward & Co., and presently the Deputy Assistant Secretary of the Army for Research and Matériel, were obtained.

The scope of the survey encompassed three technical services: the Quartermaster, Ordnance, and Chemical Corps. Mr. Pearson lined the survey up. As a test bore, he selected certain items from each of the three technical services, and went right down the line from the inception of the procurement to the final issue of those items to the troops. He visited a total of 80 installations.

Of the three technical services surveyed, in his opinion the Quartermaster was the best. The records were the most accurate, and the reports were the most accurate. Of all the depot installations visited—I am giving Mr. Pearson's opinion—the Utah General Depot was the best installation, and I quote Mr. Pearson:

> The Army reporting practice is to maintain complete records of every detail of every transaction and every stock number and in every size and/or color, where applicable. Transactions valued in fractions of cents are accorded the same basic record keeping as those valued at many thousands of dollars. Furthermore, the Army practice to carry perpetual inventories of stock record balances of every size and/or color, every stock number and each of eight or more accounts as applicable.
>
> Additional complications are added in many items by maintaining balances by location, condition, year of pack, date of survey, and so forth. This practice results in keeping the same set of books on accounts with balances of a few cents as are kept on accounts with balances of many thousands of dollars.
>
> The Quartermaster Corps catalogs about 48,000 items. Approximately 42 percent of these items have unit of issue values of less than $1. About 6 percent have unit of issue value of less than 10 cents, and there are about 1,300 items with unit of issue value of less than 1 cent. All of these items receive the same record-keeping attention.

To illustrate the uneconomic effect of this uniformity of record-keeping practices without regard to unit of issue value, the records of index cards, 3 by 5 and 5 by 8, were studied for the depot surveyed. This depot, and the two satellites for which it keeps stock records, carry these cards in 16 stock numbers and in 175 active accounts, 42 percent of which had stock on hand valued at less than $20, and 14 percent of the accounts were maintained with balances of less than $1. Some accounts were noted with balances of less than $0.01. The unit of issue is each card, despite low unit values of eight to twenty-five one-hundredths of 1 cent each. In the test month, 56 percent of all issues were for less than $5 in value; 19 percent less than $1; and with some issues valued at less than 10 cents; and in one instance all of the record-keeping machinery was set in motion for an issue valued at less than 1 cent.

Forty-four percent of all issues contained broken package quantities of less than 100 cards, although a package of 100 is valued at only 8 cents. About 33 pages of EAM figures were used in 1 month at one depot to report these largely inconsequential facts.

The practice of maintaining perpetual inventory records on such low value issue items and in such numerous subclassified accounts is wasteful of both manpower and money. To make and record broken package issues of such low value items is manifestly uneconomical, just as it is economically unsound to make and record one out of every five issues in values of less than $1. To prepare transaction registers on all transactions, when only a small fraction are ever used for audit or reference, is wasteful. To record and report such volumes of trivia congests the reporting facilities and impedes the accurate and timely recording of essential data. Problems of training and supervision are increased disproportionate to the advantages.

Resulting from this survey were 24 recommended actions published in May 1951. General Tansey, the Chief of the Supply Division, G–4, General Staff, immediately initiated action to inform all concerned of the survey and its findings, and by July 1951 had obtained the Department of the Army concurrence and coordination.

The report and recommendations in July on the actions taken to date to implement these recommendations are available and, if desired, may be incorporated with the record.

Mr. BONNER. How many of the recommendations have been accepted?

Major DAVISON. All of them, sir.

Mr. BONNER. I want them incorporated in the record this morning.

Major DAVISON. Very good. I will get them to Mr. Tucker.

The specific recommendation being implemented here in Utah General Depot reads as follows:

Recommend that the working report, transaction analysis, and stock availability be cleared of trivia by (1) the establishment in each technical service of a secondary item classification to include all standard, low-unit-value, commercially available expendable items, all items of infrequent issue, all items on which stocks will meet contemplated needs for, say, the next two or more years.

(2) Assignment of responsibility for stock replenishment of such items to depot commanders who would requisition directly upon designated manufacturers under open-end or blanket contracts on standard items where usage requirements are relatively stable. Escalator clauses must be considered in all such contracts.

The Government Operations Subcommittee of the Committee on Expenditures in the Executive Departments, in a draft report dated February 28, stated: "* * * very little use is being made of open-end contracts. Obviously, the use of contracts of such nature reduces the amount of paper work incident to, as well as the expense of making individual purchases. They are particularly appropriate and beneficial in the small-purchase area."

(3) Apply to such items the simplest possible methods of determining the need of stock replenishment that is, marked bins, periodic stock checks, and so forth.

(4) Discontinue all perpetual-inventory records and reports on such items and substitute therefor a quarterly stock-check report on quantities segregated for various mobilization purposes.

(5) Abandoning the practice of keeping stock balances for every size or every color of every item by accounts that is, Army, Army ROTC, Army ORC, Army NG, Air Force, Air ROTC, Air ORC, Air NG, MDAP, and so forth. An accelerated application of the stock-fund principles would help accomplish this purpose.

The House subcommittee draft report referred to above states: "The subcommittee therefore recommends that the Secretary of Defense consider the taking of such action as may be necessary to convert the tank automotive-parts center to a stock-fund operation at the earliest possible date, and to notify the subcommittee of his decision in the matter. Further, the subcommittee recommends that a solution to the Department of the Air Force's 'equity' of $200 million in Army parts stocks be developed so as to eliminate unnecessary processing, in a manner satisfactory to the House Appropriations Committee."

(6) Establishing firm policies prohibiting the issue of such items in uneconomically small quantities, requiring the users to make local purchases of quantities too small for economical issue.

Those were the plans of Mr. Pearson on setting up this test. The plan was initiated in September 1951 after Major General Feldman, then the Quartermaster General approved the Utah General Depot as a site for the test. The test, however, was not initiated until the 15th of April 1952. We have a good reason for this 7-month delay. The primary objective and the only justification for Army supply is combat effectiveness. In a test of this nature we are affecting the supply of the combat soldier, and we must assure ourselves that every possible avenue is covered, every procedure, before we go into a test. We cannot in any way affect the combat effectiveness of the combat soldier; that is very important.

In setting up this test we selected the general-supply category of supplies stored in this depot. The Quartermaster General logistic responsibility is divided into three categories: Subsistence, general supplies, and clothing and equipage. This test only concerns itself with the movement of general supplies, paper products, and so forth, matériels handling, and equipment, items of that nature. Now we are servicing currently with generaly supply only on a test scope the Utah General Depot and Ogden Arsenal Depot, Depot Maintenance, Defense Printing Unit, Camp Carson, Fitzsimons General Hospital, Deseret Chemical Corps Depot, Rocky Mountain Arsenal, Pueblo Ordnance Depot, Tooele Ordnance Depot, Dugway Proving Grounds, Fort Douglas, Utah.

In addition, as Mr. Ward explained, stocks here at Utah, the Quartermaster General Corps location 70. are utilized to satisfy the oversea demands coming in from the San Francisco and Seattle ports, so when stock is not available at Sharpe or Auburn it comes down here where we handle the matériel going out to those two ports overseas.

Merchandising concept: The objective of the test—I will give them, and also Lieutenant Colonel Cook later will develop it in more detail—is to provide an individual with a simple set of records that will permit that individual to exercise judgment and utilize his knowledge of the supplies under his jurisdiction to accomplish more rapid, more economical, more efficient supply of troops and further pinpoint any failure of supply to the individual responsible for the failure.

I might add in closing that the Navy, Air Force, and Munitions Board, Office of the Secretary of Defense, have all had official visits to the test area. They have all written reports, and we have seen one from the Munitions Board that was very favorable.

Colonel Cook, from the Office of the Army Comptroller, will take over and explain in more detail the objective of the test, and what we have done to implement Mr. Pearson's recommendations.

Thank you.

STATEMENT OF LT. COL. COLEMAN P. COOK, OFFICE OF THE COMPTROLLER OF THE ARMY

Colonel Cook. Mr. Chairman, members of the subcommittee, and other distinguished guests; Major Davison has given the scope and the principle of the test, or I might say he has announced the policy that should be followed.

I have the task of describing how we are going to do it. First, I wish to express to the committee in my small way my sincere appreciation for what it is doing. I would like to base that on a couple of very sound reasons: First, I was in charge of the pricing and cataloging for the General Liquidation Commission for the Pacific in disposing of all surplus property for the Pacific area. The congressional investigation that followed is probably well known to all of you, and my name is in some of those investigations. Later I was Chief of Identification and Clarification under the Munitions Board Catalog Agency, with the task of coming up with a single number and a single classification for all Army supply items and all Navy and Air Force supply items. But between those two tasks I was an internal-revenue agent, yet to be investigated, but I had the task of collecting from the taxpayers the money to defray some of these expenses and, gentlemen, I have heard the squawks.

With the chairman's permission, I would like to introduce into the record as an exhibit this brochure on a simplified-supply-system test. I will deliver it to Mr. Tucker later.

Mr. Bonner. It will be inserted in the record.

(The material above referred to appears as Ogden Exhibit 1, p. 625.)

Colonel Cook. Rather than use charts, if the subcommittee will, I would like to refer to the brochure that we have passed to all members of the committee. I would like to bring out, as Major Davison has stated, that in order to accomplish Mr. Pearson's objective it was necessary for us to establish a single set of records that provided to the merchandiser full information with respect to every item on hand, the stock on hand, his issue, the warehouse location, and his dues in from various procurement sources.

It was necessary to provide a single list of documentation in which an incoming requisition could be processed to final form rapidly, economically, and efficiently.

Inasmuch as the usual routine followed in most of our depots is to first go into a rather elaborate or complex tabulation equipment system of punch-card equipment, it was necessary to process our document to supply first and thereafter to use our electrical device to give us the statistical and reporting information that we required in higher headquarters.

SIMPLIFIED SUPPLY-SYSTEM TEST

These various requirements brought into effect the simplified-supply-system test. I would like to ask the committee to refer, if it will, to

page 2 of the brochure, in which we list the high lights of what we intend to accomplish and how we go about it.

First we use a form of combined requisition and shipping document which we know as a flexible line-item requisition. I will explain that in more detail: This form of requisition permits us to move from a requisition into a shipment without retranscribing at depot level. We have a set of visible stock records. We don't have to refer to cards filed over a period of time by transactions, or by date. On a simple record, such as put out by Acme or Kardex or quite a number of manufacturers, we have a complete record with respect to every line item.

We report electrically by punch cards after the supplies have moved, and we believe that the emphasis should be on the movement of supplies; not recording the statistics. I believe Mr. Pearson said "low-dollar-value, secondary-type items should be delegated to the depot commander for supply." In doing these things we think we can effect economies in personnel, equipment, and supplies; and, perhaps most important, we delegate to a specific man the responsibility, and we can follow up on that individual to see whether or not he has performed his task well.

If the committee will refer to page 3 of the brochure, I would like to go into more detail of the mechanics of the operation. I don't want to take up too much time of the committee, but we have a rather, we think, ingenious system of processing incoming requisitions to outgoing shipping documents. I might add, in theory, when you requisition a list of supplies on a depot, or a retailer requisitions on a wholesaler, every item on your requisition should be supplied. Unfortunately, the exception is the rule, and it was that way during the last war, and it will be that way during the next war.

Things moved too fast to always have on hand at the right place things we should have. Thus, when you file a requisition, you have not only the problem of supplying those items that you do have on hand but you have the problem of supplying the items that you don't have, as opposed to ordinary business, where, when you requisition an item from a catalog, if the merchandiser doesn't have it, he comes back with a "Very sorry; I am just fresh out." In the military, we can't do that. We have to go to the ultimate supply of the item. We have to buy it. We have to extract it from another depot. We have to place it on back order until the item is received.

Thus the problem on every requisition or on a substantial number of them is to extract out the one, the needed item that we cannot supply, or the several deleted items we cannot supply. When we have an incoming requisition which necessitates extraction, the only way we can extract that item is to punch the card for it or to retype it, but we must type a lot of information with respect to that item. This caused us to begin to wonder could we not perforate the incoming document and permit the isolation of any one item on the requisition. Could we not, upon receipt of that requisition at the depot process it over in our records, and where the action varied between the items, it might be shipped because it might be extracted, back-ordered, or procured. We could separate them into different types of action by in effect photographing these items. That is exactly what we have come up with on this requisition.

25062—53——38

The technique is about like this: The requisitioner in the field, with no more effort than he has now, types the requisition in triplicate. He types two plain, buff-colored copies which are illustrated in the back of your brochure, which are not perforated. He types one card stock copy. Each line item on each different stock item he requisitioned is separated by perforation, permitting the depot to tear this requisition apart and to segregate into different separate actions. When the requisition reaches a depot, the plain buff-colored copy is filed as the official voucher of the stock record. It becomes, in effect, the control copy. So, if we lose one of these line items, we can always reconstruct.

We then take this requisition and literally tear it to pieces. So, if we requisition mechanics' hand tools, furniture, or any other series of items, we can pass a line-item strip to the different commodity clerks. These various strips, after they have been separated and passed out to the clerks, are then passed over these records to determine what you can do with the item. In other words, can you ship it; must you back-order it because you have stock coming in. Must you extract it to procurement, to buy; all of those actions are on the document or on the line-item strip. When those strips come back, and you associate them with what you see in the brochure identified as a consignee-identification strip, this one strip is a common denominator to all of our records. It provides the address of the requisitioner, his requisition number, and the date he must have the supplies, and the marking instructions.

Mr. HOLIFIELD. Mr. Chairman, may I ask a question?

Mr. BONNER. Mr. Holifield.

Mr. HOLIFIELD. While you are showing this new method, will you tell us very briefly about what the previous method was, so we can get the difference.

Colonel COOK. I am sorry, sir.

CARD-EDIT PLAN

The system generally in use now is a "card-edit plan" which was recently developed by an Army planning development commission under General Larkin. General Feldman was chairman of the committee. Their technique provides that when a requisition is received at the depot a card is punched.

Mr. HOLIFIELD. For each item?

Colonel COOK. For each line item on requisition, just as though that line item were to be shipped in that quantity. The stock-availability editors are provided with an IBM punch-card system of their stock balances on hand. The availability editor determines whether or not the item can be supplied in the quantity requisitioned. If so, for example, the stock-availability editor must then place a very soft carbon pencil mark on a punch card in behind the appropriate stock-balance card, the purpose of that being subsequently to permit reproduction of a nomenclature stock number unit of issue and other kind of data with respect to this stock item.

Once a day all items that have had activity are selected from this file and forwarded to a machine room where a new balance forwarded is struck on the item, and where a skeleton shipping document is then prepared, listing the stock number, the quantity shipped, the condition, and the account.

This skeleton document is then passed to a typist who inserts thereon the name and address of the consignee, the marking instructions, and other special notations. Then the necessary order copies for the warehouse, and ultimately the proper copies are reproduced. That is relatively a new scheme, but it goes back basically to the same idea of creating a punch card before the fact for each line item that is shipped.

Mr. HOLIFIELD. Your punch card now is prepared after you find out what has been shipped?

Colonel COOK. Yes, sir.

Mr. HOLIFIELD. How many are eliminated by this method?

Colonel COOK. I wanted to go into that, if I may, a little bit later on. What we do initially, and what we plan to do in the future. I did want this to cover that point specifically. When all of these line item strips have been acted upon by the various commodity clerks, the panel clerk, or the control clerk, begins to sort them by whether or not they are shipped, back-ordered, or extracted, or other action taken. She then selects from what we might call a stub file, either a stub to ship it overseas, or a stub to ship it domestically. She might select a stub, as I have here, to extract this one to the Columbus General Depot, Columbus, Ohio. Or she might send it to procurement to buy the item. She literally custom-builds whatever your document requires.

To complete the supply action, as we will explain a little bit later, we in effect photograph this panel to take the different actions. If the item is to be procured, say, open-line item 2 and line item 6, all she does is insert in the panel the two items and she puts in the consignee strip. She photographs the panel and you have a purchase request on the procurement officer to buy these items without having to retype any information whatsoever at the depot.

After these panels have been photographed, we have several techniques for reproducing. I might also add that what we are doing here only became possible within the last year or two by developments out of the laboratories. We have only seen the beginning of what is coming in the reproduction field. We create in this particular case an offset master. It is known as Multilith. But we do something that isn't in the present supply system: we create a new flexible line document for any subsequent item. In this particular case, we produce a flexible document so that we can put this on as a checking list.

In other words, if items 1, 3, and 5 are put in one position, we can tear out line items 1, 3, and 5 and put them on the position. In the past, we have had to reproduce three complete documents to go on every position. In addition—and this is something that has worked out very, very well—we reproduce the gummed label for every line item that we ship. In effect, we reproduce this document by feeding through the press a label with the pressure type adhesive on it, and we have then means literally of sticking the label to the item, so when the requisitioner gets the item back he has a picture of his original requisition. There can be no problem of the supply clerk scratching his head, and wondering what this item is.

Mr. HOLIFIELD. May I ask you what this over-all duplicating saves in the way of time, and if it is more expensive than the previous method of reproducing all these documents by hand, or if it is cheaper.

Colonel COOK. Well, of course, we who participated in the test, who are its authors, believe we can say very substantial sums are saved when it comes to tabulating equipment, and in the cost of personnel for

the task. Our test has been under way only about 3 months, and we are not in a position to give you, costwise, what we think we can ultimately save.

DURATION OF TEST

Mr. HOLIFIELD. How long will your test proceed? Is there any limitation on the time of the test?

Colonel COOK. At the present time we have not fixed a limit on it. We hope within the next 90 days or so that much of the basic theory we have will be under actual test for speed.

I might say a requisition that does not go out to the warehouse the same day received is a rare exception, in our technique.

Mr. HOLIFIELD. Under this new arrangement?

Colonel COOK. Yes, sir.

Mr. HOLIFIELD. What was the record before?

Colonel COOK. It varied from 3 to 5 days; sometimes as low as 1 day. Under this new planning and development program it is 1 day.

Mr. HOLIFIELD. You have conducted this test long enough so that you can assure yourself and us that it is working in shorter time?

Colonel COOK. That is correct.

I might add, in that connection, I am glad you brought that up, sir. We have sent out a questionnaire to the 12 stations participating in the test, asking them specifically is this document better or worse, or equal to the document they have had in the past. Are the supplies moving faster, and so on.

These various requisitioners have come back unanimously with the fact that the document is superior, in their opinion.

Mr. HOLIFIELD. May we have photostatic copies of that questionnaire, Mr. Chairman, inserted in the record?

Mr. BONNER. Yes, sir. It will be placed in the record at this point, and some of your replies you will put in also.

EVALUATION OF TEST

Colonel COOK. That's right; we will give you the replies to the questionnaire.

Mr. BONNER. Questionnaire and replies.

Colonel COOK. Yes, sir.

(The information referred to is as follows:)

Subject: Simplified supply system.
To: Commanding general, Fifth Army, 1600 East Hyde Park, Chicago 15, Ill.
(Attention: Quartermaster.)

1. Reference is made to Department of the Army letter, March 31, 1952, G4/D520884, subject: Ogden, Utah, Test of Simplified Requisitioning and Accounting Procedures.

2. The purpose of this letter is to obtain Army headquarters and station advice to accomplish a preliminary evaluation of the effectiveness of the flexible line item requisition and shipping document, which is being developed and tested in accordance with the provisions of paragraph 4, above cited reference.

3. The following stations within your area are currently submitting requisitions for quartermaster general supply items to Utah General Depot on the test forms:

Camp Carson, Colorado Springs, Colo.
Fitzsimons General Hospital, Denver, Colo.
Rocky Mountain Arsenal, Denver, Colo.
Pueblo Ordnance Depot, Pueblo, Colo.

4. It is requested that the attached questionnaire be completed by your headquarters and by each station, using the test forms. It is further requested that reply be forwarded to reach this office as soon as is practicable.

ERVIN L. KEENER,
Colonel, QMC, Quartermaster Supply Officer.

One enclosure: Questionnaire (18 copies).

MAY 20, 1952.

Subject: Simplified supply system.
To: Commanding General, Sixth Army, Presidio of San Francisco, Calif.
(Attention: Quartermaster.)

1. Reference is made to Department of the Army letter, March 31, 1952, G4/D520884, subject: Ogden, Utah, Test of Simplified Requistioning and Accounting Procedures.

2. The purpose of this letter is to obtain Army headquarters and station advice to accomplish a preliminary evaluation of the effectiveness of the flexible line item requisition and shipping document, which is being developed and tested in accordance with the provisions of paragraph 4, above cited reference.

3. The following stations within your area are currently submitting requisitions for quartermaster general supply items to Utah General Depot on the test forms:

Utah General Depot, Ogden, Utah
Ogden Arsenal, Ogden, Utah
Depot Maintenance Division, Utah General Depot, Ogden, Utah
Defense Printing Plant, Ogden, Utah
Deseret Chemical Corps Depot, Tooele, Utah
Tooele Ordnance Depot, Tooele, Utah
Dugway Proving Grounds, Tooele, Utah
Fort Douglas, Utah

4. It is requested that the attached questionnaire be completed by your headquarters and by each station, using the test forms. It is further requested that reply be forwarded to reach this office as soon as is practicable.

ERVIN L. KEENER,
Colonel, QMC, Quartermaster Supply Officer.

1 Inclosure: Questionnaire (30 copies).

CAMP CARSON, COLO.

FLEXIBLE LINE ITEM REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of documentation, and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA 445-1, March 1, 1952 (test)? No. Workload cut 75 percent. Simplifies requisition procedure.

2. If so, has the increase in man-hours expended been appreciable? ———

3. Has the elimination of typing "basis" for each item, where applicable, on requisitions saved much time and effort? Yes; 75 percent of workload cut.

4. Do you use the lower portion of the line item strip to annotate information that you desire on the shipping document and shipping tag? For example: Using activity to receive item, warehouse item is to be stored in, accounting symbols or codes for cost accounting. No.

5. If not, why? This station does not post warehouse location to stock record cards. Lower portion of strip is used, however, where cost accounting is necessary.

6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is effecting supply? Yes.

7. For those items that the depot edits as "Local procurement," "Canceled," "Due out," etc., is it advantageous to get a separate document indicating such information? Yes. Due to fiscal procedures on local procurement items.

8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? No.

9. Is the purchase request and commitment form reproduced for you under the test procedure of any value? Yes. Saves time and man-hours in retyping a purchase and commitment form, when notified by depot, item or items are to be procured locally.

10. If so, how many copies do you want? Five copies will suffice.
11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identifying line items and making disposition of the items? Yes. Alleviates the loss of identification of property.
12. Do you prefer complete nomenclatures as annotated on the test shipping document as opposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.
13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20 space abbreviated nomenclature? Yes. Qualified personnel not employed to understand all Army abbreviations.
14. Is the documentation legible? Have you received any documents you cannot read? Yes. No.
15. In your opinion should the test forms be amended? If so, how? No. Forms as now written serving this station without difficulty.
16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? None.
17. Were there any points brought up at the conference on April, 15, 1952, that have not been resolved or acted upon? No.
18. What is your over-all rating of the procedure—an improvement, no change, or not as efficient as the old procedure? An improvement over the old procedure, as time and man-hours used is cut 75 percent. It is felt all commodities and classes, other than regulated items, should be transcribed to the flexible line item requisition form.

UTAH GENERAL DEPOT, DEPOT PROPERTY BRANCH

FLEXIBLE LINEITEM REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of documentation, and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA–445–1, March 1, 1952 (test)? No.
2. If so, has the increase in man-hours expended been appreciable? ———
3. Has the elimination of typing "basis" for each item, where applicable, on requisitions saved much time and effort? Yes.
4. Do you use the lower portion of the lineitem strip to annotate information that you desire on the shipping document and shipping tag? For example, using activity to receive item, warehouse item is to be stored in, accounting symbols or codes for cost accounting. Yes.
5. If not, why? ———
6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is effecting supply? Yes.
7. For those items that the depot edits as "Local procurement," "Canceled," "Due out," etc., is it advantageous to get a separate document indicating such information? No.
8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? Yes.
9. Is the purchase request and commitment form reproduced for you under the test procedure of any value? Yes.
10. If so, how many copies do you want? Six.
11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identifying line items and making disposition of the items? Yes.
12. Do you prefer complete nomenclatures as annotated on the test shipping document as opposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.
13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20-space abbreviated nomenclature? Yes.
14. Is the documentation legible? Have you received any documents you cannot read? (*a*) Yes; (*b*) no.
15. In your opinion, should the test forms be amended? If so, how? No.

16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? None at present.
17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? No.
18. What is your over-all rating of the procedure—an improvement, no change, or not as efficient as the old procedure? A very definite improvement.

ROCKY MOUNTAIN ARSENAL

FLEXIBLE LINE-ITEM REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of the documentation, and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA–445–1, March 1, 1952 (test)? No.
2. If so, has the increase in man-hours expended been appreciable? ———
3. Has the elimination of typing "basis" for each item, where applicable, on requisitions saved much time and effort? Yes.
4. Do you use the lower portion of the line-item strip to annotate information that you desire on the shipping document and shipping tag? For example, using activity to receive item, warehouse item is to be stored in, accounting symbols or codes for cost accounting. Yes.
5. If not, why? ———
6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is effecting supply? Yes.
7. For those items that the depot edits as "Local procurement," "Canceled," "Due out," etc., is it advantageous to get a separate document indicating such information? Yes.
8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? No.
9. Is the "Purchase Request and Commitment" form reproduced for you under the test procedure of any value? Yes.
10. If so, how many copies do you want? Four copies.
11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identifying line items and making disposition of the items? Yes.
12. Do you prefer complete nomenclature as annotated on the test shipping document as apposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.
13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20-space abbreviated nomenclature? Yes.
14. Is the documentation legible? Have you received any documents you cannot read? No.
15. In your opinion should the test forms be amended? If so, how? No comment as of this date.
16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? No comment as of this date.
17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? This installation is operating under the Army industrial fund and, therefore, requires priced copies of shipping documents. This point was brought up at the conference April 15, 1952. This situation is not entirely resolved at the present time; however, it is being acted upon.
18. What is your over-all rating of the procedure—an improvement, no change, or not as efficient as the old procedure? It is a great improvement and far more efficient as compared with the old procedure.

OGDEN ARSENAL

FLEXIBLE LINE-ITEM REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of documentation, and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA–445–1, March 1, 1952 (test)? No.
2. If so, has the increase in man-hours expended been appreciable? No.
3. Has the elimination of typing "basis" for each item, where applicable, on requisitions saved much time and effort? Yes.
4. Do you use the lower portion of the line-item strip to annotate information that you desire on the shipping document and shipping tag? For example, using activity to receive item, warehouse item is to be stored in, accounting symbols or codes for cost accounting. Yes.
5. If not, why? ———
6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is affecting supply? Yes.
7. For those items that the depot edits as 'Local procurement," "Canceled," "Due out," etc., is it advantageous to get a separate document indicating such information? No.
8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? Yes.
9. Is the Purchase Request and Commitment Form reproduced for you under the test procedure of any value? Yes, insofar as property is concerned.
10. If so, how many copies do you want? Six.
11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identifying line items and making disposition of the items. Yes.
12. Do you prefer complete nomenclatures as annotated on the test shipping documents as opposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.
13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20 space abbreviated nomenclature? Yes.
14. Is the documentation legible? Have you received any documents you cannot read? Yes. No.
15. In your opinion should the test forms be amended? If so, how? No.
16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? No.
17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? No.
18. What is your over-all rating of the procedure—an improvement, no change or not as efficient as the old procedure? A definite improvement.

UTAH MILITARY DISTRICT HEADQUARTERS, FORT DOUGLAS, UTAH

FLEXIBLE LINE ITEMS REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of documentation, and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA 445–1, March 1, 1952 (test)? No.
2. If so, has the increase in man-hours expended been appreciable?
3. Has the elimination of typing basis for each item, where applicable, on requisitions saved much time and effort? Yes.
4. Do you use the lower portion of the line item strip to annotate information that you desire on the shipping document and shipping tag? For example: Using activity to receive item, warehouse item is to be stored in, accounting symbols or codes for cost accounting. No.
5. If not, why? Station accounts are few—only one warehouse.
6. It is an advantage to get actual copies of documents indicating how the primary source of supply is effecting supply? Yes.
7. For those items that the depot edits as local procurement, canceled, due out, etc., is it advantageous to get a separate document indicating such information? No.
8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? Yes.
9. Is the Purchase Request and Commitment Form reproduced for you under the test procedure of any value? Yes.
10. If so, how many copies do you want? Five copies.
11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an

original package. Is this identification tag of value in identifying line items and making disposition of the items? Very valuable.

12. Do you prefer complete nomenclatures as annotated on the test shipping document as opposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.

13. Do you think that complete nomenclature will verify station-stock records by eliminating duplication of items difficult to identify under the old 20 space abbreviated nomenclature? Yes.

14. Is the documentation legible? Have you received any documents you cannot read? Documentations have all been legible.

15. In your opinion should the test forms be amended? If so, how? No change unless perforated white sheets can be made more durable.

16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? No.

17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? No.

18. What is your over-all rating of the procedure—an improvement, no change or not as efficient as the old procedure? An improvement.

Defense Printing Plant, Ogden, Utah

Flexible line item requisitions and shipping documents

The objective of this questionnaire is to ascertain what stations need in the form of documentation, and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA 445–1, March 1, 1952 (test)? No.

2. If so, has the increase in man-hours expended been appreciable?

3. Has the elimination of typing basis for each item, where applicable, on requisitions saved much time and effort? Yes.

4. Do you use the lower portion of the line item strip to annotate information that you desire on the shipping document and shipping tag? For example: Using activity to receive item, warehouse item is to be stored in, accounting symbols or codes for cost accounting. Yes.

5. If not, why?

6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is affecting supply? Yes.

7. For those items that the depot edits as local procurement, canceled, due out, etc., is it advantageous to get a separate document indicating such information? Yes.

8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? No.

9. Is the Purchase Request and Commitment Form reproduced for you under the test procedure of any value? Yes.

10. If so, how many copies do you want? Five copies.

11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identifying line items and making disposition of the items? Yes.

12. Do you prefer complete nomenclature as annotated on the test shipping document as opposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.

13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20 space abbreviated nomenclature? Yes.

14. Is the documentation legible? Have you received any documents you cannot read? Yes.

15. In your opinion should the test forms be amended? If so, how? No.

16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? Not at present.

17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? No.

18. What is your over-all rating of the procedure—an improvement, no change, or not as efficient as the old procedure? An improvement.

PUEBLO ORDNANCE DEPOT

FLEXIBLE LINE ITEM REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of documentation, and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA 445–1, March 1, 1952 (test)? No.

2. If so, has the increase in man hours expended been appreciable? ———

3. Has the elimination of typing basis for each item, where applicable, on requisitions saved much time and effort? Yes.

4. Do you use the lower portion of the line item strip to annotate information that you desire on the shipping document and shipping tag? For example: Using activity to receive item, warehouse item is to be stored in, accounting symbols, or codes for cost accounting. Yes.

5. If not, why? ———

6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is effecting supply? Yes.

7. For those items that the depot edits as local procurement, canceled, due out, etc., is it advantageous to get a separate document indicating such information? Yes.

8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? No.

9. Is the Purchase Request and Commitment Form reproduced for you under the test procedure of any value? Yes.

10. If so, how many copies do you want? Five.

11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identfying line items and making disposition of the items? Yes.

12. Do you prefer complete nomenclatures as annotated on the test shipping document as opposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.

13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20 space abbreviated nomenclature? Yes.

14. Is the documentation legible? Have you received any documents you cannot read? Yes–No.

15. In your opinion should the test forms be amended? If so, how? Request that a block be established in order that requisitions can be submitted through channels. Also, suggest an additional block for the approval of the commanding officer.

16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? No.

17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? No.

18. What is your over-all rating of the procedure—an improvement, no change or not as efficient as the old procedure? Improvement.

FITZSIMONS ARMY HOSPITAL

FLEXIBLE LINE ITEM REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of documentation, and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA 445–1, March 1, 1952 (test)? No (not more than manually prepared on WD AGO Form 445). More work than requisitions prepared on IBM machine.

2. If so, has the increase in man-hours expended been appreciable? No.

3. Has the elimination of typing basis for each item, where applicable, on requisitions saved much time and effort? Yes.

4. Do you use the lower portion of the line item strip to annotate information that you desire on the shipping document and shipping tag? For example:

Using activity to receive item, warehouse item is to be stored in, accounting symbols, or codes for cost accounting. Yes.

5. If not, why?

6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is effecting supply? No.

7. For those items that the depot edits as local procurement, canceled, due out, etc., is it advantageous to get a separate document indicating such information? No.

8. Or do you prefer a single copy of the requisition annotated with depot editing symbols.? Yes.

9. Is the Purchase Request and Commitment Form reproduced for you under the test procedure of any value? Yes. (See answer to No. 10.)

10. If so, how many copies do you want? Number of copies received is sufficient if items coming under separate local obligation authorities would be put on separate forms, i. e., cleaning supplies be separated from office supplies, etc.

11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identifying line items and making disposition of the items. Yes.

12. Do you prefer complete nomenclatures as annotated on the test shipping documents as apposed to the abbrieviated nomenclature previously annotated on the old shipping document? Yes.

13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20 space abbreviated nomenclature? Yes.

14. Is the documentation legible? Have you received any documents you cannot read? No.

15. In your opinion should the test forms be amended? If so, how? (See par. 16.)

16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? It would be very helpful at station level if one action copy of requisition could be returned from depot showing action in line-item order. At present, it is difficult to locate items after all are separated under separate editing symbols.

17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? No.

18. What is your over-all rating of the procedure—an improvement, no change, or not as efficient as the old procedure? An improvement.

Added Comment.—It is the opinion at this station that the space provided on the documents showing quantity requisitioned, quantity shipped, and quantity received is very helpful in making changes on due in canncellations and receipts.

UTAH GENERAL DEPOT, DEPOT MAINTENANCE DIVISION

FLEXIBLE LINE ITEMS REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of documentation and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA 445–1, March 1, 1952 (test)? No.

2. If so, has the increase in man-hours expended been appreciable? ———

3. Has the elimination of typing basis for each item, where applicable, on requisitions saved much time and effort? Yes.

4. Do you use the lower portion of the line item strip to annotate information that you desire on the shipping document and shipping tag? For example: Using activity to receive item, warehouse item is to be stored in, accounting symbols or codes for cost accounting. Yes.

5. If not, why? ———

6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is affecting supply? Yes.

7. For those items that the depot edits as local procurement, canceled, due out, ect., is it advantageous to get a separate document indicating such information? Yes.

8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? No.

9. Is the purchase request and commitment form reproduced for you under the test procedure of any value? Yes.
10. If so, how many copies do you want? Yes.
11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identifying line items and making disposition of the items? Yes.
12. Do you prefer complete nomenclatures as annotated on the test shipping document as opposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.
13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20-space abbreviated nomenclature? Yes.
14. Is the documentation legible? Have you received any documents you cannot read? No.
15. In your opinion should the test forms be amended? If so, how? No.
16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? No.
17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? No.
18. What is your over-all rating of the procedure—an improvement, no change, or not as efficient as the old procedure? An improvement.

DESERET CHEMICAL DEPOT

FLEXIBLE LINE ITEM REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of documentation and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA 445–1, March 1, 1952 (test)? No.
2. If so, has the increase in man-hours expended been appreciable? ———
3. Has the elimination of typing "basis" for each item, where applicable, on requisitions saved much time and effort? Yes.
4. Do you use the lower portion of the line item strip to annotate information that you desire on the shipping document and shipping tag? For example: Using activity to receive item, warehouse item is to be stored in, accounting symbols or codes for cost accounting. No.
5. If not, why? Information necessary is posted to stock record cards.
6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is effecting supply? Yes.
7. For those items that the depot edits as local procurement, canceled, due out, etc., is it advantageous to get a separate document indicating such information? Yes.
8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? No.
9. Is the purchase request and commitment form reproduced for you under the test procedure of any value? Yes.
10. If so, how many copies do you want? Six.
11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identifying line items and making disposition of the items? Yes.
12. Do you prefer complete nomenclatures as annotated on the test shipping document as apposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.
13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20-space abbreviated nomenclature? Yes.
14. Is the documentation legible? Have you received any documents you cannot read? Yes. No.
15. In your opinion should the test forms be amended? If so, how? No.
16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? No.

17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? No.
18. What is your over-all rating of the procedure—an improvement, no change, or not as efficient as the old procedure? An improvement.

DUGWAY PROVING GROUND

FLEXIBLE LINE ITEM REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of documentation and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA 445–1, March 1, 1952 (test)? No.
2. If so, has the increase in man-hours expended been appreciable? ———
3. Has the elimination of typing "basis" for each item, where applicable, on requisitions saved much time and effort? Yes.
4. Do you use the lower portion of the line item strip to annotate information that you desire on the shipping document and shipping tag? For e ample: Using activity to receive item, warehouse item is to be stored in, accounting symbols or codes for cost accounting. We haven't done so far but feel that it will be of benefit to us to do so.
5. If not, why? We have not been making use of this because of lack of proper understanding of the test form, but will make use of it in the future.
6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is effecting supply? Yes.
7. For those items that the depot edits as local procurement, canceled, due out, etc., is it advantageous to get a separate document indicating such information? Yes.
8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? No.
9. Is the "Purchase Request and Commitment" form reproduced for you under the test procedure of any value? Yes. It will save considerable time.
10. If so, how many copies do you want? We need five copies.
11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identifying line items and making disposition of the items? Yes.
12. Do you prefer complete nomenclatures as annotated on the test shipping document as opposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.
13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20-space abbreviated nomenclature? Yes.
14. Is the documentation legible? Have you received any documents you cannot read? They are legible.
15. In your opinion should the test forms be amended? If so, how? I have no suggestions.
16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? No.
17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? No.
18. What is your over-all rating of the procedure—an improvement, no change or not as efficient as the old procedure? An improvement.

TOOELE ORDNANCE DEPOT

FLEXIBLE LINE-ITEM REQUISITIONS AND SHIPPING DOCUMENTS

The objective of this questionnaire is to ascertain what stations need in the form of documentation, and to obtain station advice as to adaptability of subject test forms to their operation.

1. Is it more work to prepare a requisition on Form DA–445–1, March 1, 1952 (test)? No.
2. If so, has the increase in man-hours expended been appreciable? ———
3. Has the elimination of typing "basis" for each item, where applicable, on requisition saved much time and effort? Yes.

4. Do you use the lower portion of the line-item strip to annotate information that you desire on the shipping document and shipping tag? For example using activity to receive item, warehouse item is to be stored in, accounting symbols or codes for cost accounting. Yes.

5. If not, why? ———

6. Is it an advantage to get actual copies of documents indicating how the primary source of supply is affecting supply? Yes.

7. For those items that the depot edits as "Local procurement," "Canceled," "Due out," etc., is it advantageous to get a separate document indicating such information? Yes.

8. Or do you prefer a single copy of the requisition annotated with depot editing symbols? No.

9. Is the "Purchase Request and Commitment" form reproduced for you under the test procedure of any value? Yes.

10. If so, how many copies do you want? Six.

11. Under the test procedure there is an identification tag attached to one of each item requisitioned or placed on the container if the item is shipped in an original package. Is this identification tag of value in identifying line items and making disposition of the items? Yes.

12. Do you prefer complete nomenclature as annotated on the test shipping document as opposed to the abbreviated nomenclature previously annotated on the old shipping document? Yes.

13. Do you think that complete nomenclature will verify station stock records by eliminating duplication of items difficult to identify under the old 20-space abbreviated nomenclature? Yes.

14. Is the documentation legible? Have you received any documents you cannot read? (*a*) Yes; (*b*) no.

15. In your opinion should the test forms be amended? If so, how? No.

16. Do you have any ideas or improvements to suggest with regard to the over-all procedure? No.

17. Were there any points brought up at the conference on April 15, 1952, that have not been resolved or acted upon? No.

18. What is your over-all rating of the procedure—an improvement, no change, or not as efficient as the old procedure? A definite improvement.

PROBLEM AREAS

Mr. HOLIFIELD. May I ask if you have run into any problem areas in this method which have caused you not to be able to close the test, or is it just that you feel a long testing period is necessary?

Colonel COOK. Very frankly, here is what we are doing. I was going to bring this out later. We are attempting to lay the foundation there for the full merchandising concept.

As I said a little earlier, before the merchandising man could merchandise his stock, he had to have the facilities, knowing precisely what he has on hand, what is due in to him by contract; knowing he had to be able to move his requisition rapidly through his supply, and with the several other requirements that we hope we have laid the foundation for now, by this technique.

Mr. HOLIFIELD. But you did not have adequate information on beforehand?

Colonel COOK. Let's say in the same simplicity.

I would like to make a point for the record, if I may, that those of us who are conducting this test, or monitoring, of course, believe very strongly in what we are doing. We sincerely believe in what we are doing, but when you go into the services, of course, in the Army, or perhaps anywhere else, there are those who don't always agree with you 100 percent, and I can't at this time state that what we are doing here is the official position of the Army. I would like to bring out, if I may, our experience to date in some other points.

As brought out, the requisitioners have agreed unanimously that the document is superior; that the identification of the supply support is more accurate than in the past. Our records have proven to be both timely and accurate. At the present moment, we are paralleling the IBM or EAM records, because our records, and it is demonstrated that the system is extremely accurate. In fact, out of about 1,500 line-item transactions we are making from 12 to 15 errors, or about 1 percent, or less. Out of that 1 percent errors we are making, about 50 percent of the errors are in the processing unit; about 50 percent of the errors in the machine unit. We hope as the experiment goes along we can reduce that 1 percent, as I brought out.

Mr. HOLIFIELD. Is that due to the fault of the system, or the human element?

Colonel COOK. The human element; both systems——

Mr. HOLIFIELD. The human element.

Colonel COOK. Yes, sir.

I suspect the 1 percent error is a pretty low factor in military supply. We maintain records in our test unit of warehouse location and original manufacturers' package. When a requisition comes in, for example, for 15 reams of typewriter paper, we find that the commercial package is 16 reams to a bundle, we edit the quantities to 16, which permits us to attach one of our labels to the original manufacturer's package and ship it to the consignee without any repackaging at all.

Somewhere between 15 and 20 percent of all our items we requisition we are able to OP, as we call it, original package. The savings there is something we are not in a position yet to measure. Our statistical reports as to the fact we are already in now has demonstrated the system is more accurate than either the old system or the visible record by itself, since we are using punch cards to verify our posting.

If either of the punch-card record or the manual posting do not agree, a conciliation is possible and errors are caught that would otherwise not have been detected under either system independently operated.

SUMMARY

In summarization, a faster flow of papers or documents mean faster flow of supplies. It means that the combat effectiveness of the soldier will be accomplished by giving him what he wants, where he wants it, at the right time. We have been moving supplies so rapidly under this system that our usual required time of 30 days—in other words, we require a requisitioner to anticipate his requirements 30 days in advance—and since we are moving supplies so fast, we believe that the 30-day stockage can be reduced to 15 days or less, and that across-the-board reduction in inventories and possible savings can be imagined.

Now that we have laid the foundation with a complete set of records, the statistical reporting after the fact, we want to do some simplification of this record keeping, and some simplification of this reporting, and we have some ideas along that line. We think this reporting after the fact will permit us, for example, to report to Washington or wherever we might desire to report the net position over a period of time of an item rather than the individual transaction that occurred.

For example, on an item, if Mrs. Harden will pardon me, of toilet paper, we have filled three stock record cards, double column, in 90

days, on issue of that item, broken down since it comes 96 rolls to the package. We do not issue less than that. That issue sometimes is 96, or as few as 2 rolls. Our present technique is to report every single transaction with respect to that item.

As Mr. Pearson in his report suggested that perhaps we can take that item and punch off a card or electric tab, whatever final means we use, of what happens to this item over a 30-day or 90-day period. We think by the use of open-end contracts the placement of this stock at Utah can be accomplished rapidly and simply, without waiting for the wheels in Washington to grind exceedingly slow to get it to him.

By moving our papers faster, and by the position of the stock being responsive to the mechandiser, we think there we can reduce the stock levels at this depot much less than 14 months, which is the general average at this time.

We hope and we feel that we can make the right shipments to large consumers. We have witnessed instances in which large shipments sent to the San Francisco port of such item as mimeograph paper, typewriter paper, toilet paper, and soap, that perhaps we can ship to the port direct the regular monthly increments for Korea and Japan.

With the stock being more responsive to the merchandiser, we can reduce the excess more rapidly. We can sort out the nonstandard items that come in to us from local procurement. We think that we can fix responsibility for the effectiveness of the supply operation; as was brought out in the record. I am from the Accounting and Finance Division of the Army Comptroller, and in pursuance to the will of Congress we are working as rapidly as we can toward financial control of property in the military, and a recent directive from the Department of Defense has prescribed that it will be done as rapidly as possible. Therefore, we intend to incorporate in this test financial control over all supplies under the test operation.

In closing, I would like again to emphasize that we are not trying to suggest that the entire Army supply system is a failure. Actually, we are a little enthusiastic about what we are trying to do.

But we feel that what we have done so far has in some measure proven our basic theory; but this is one of the many tests that the Army is now conducting to improve the supply function and perhaps out of all these tests we will come up with a much more effective supply system.

Thank you very much.

Mr. BONNER. Any questons, Mrs. Harden?

EFFECT OF TEST ON GENERAL SERVICES ADMINISTRATION WORK

Mrs. HARDEN. Yes; one question, Mr. Chairman:

Will the new technique facilitate assumption by the General Services Administration of supply for the military of the common items such as carbon paper?

Colonel COOK. The test procedures could be used as well by the GSA in accomplishing the supply of the items. In other words, as to who utimately is responsible for these common-type items that go across the board, would not be governed by our technique.

We think there are agencies that could use such a system as ours.

Mr. HOLIFIELD. Can these techniques be applied throughout procurement?

Colonel COOK. Included in the brochure you will probably note that this technique is clearly applicable to procurement documents. Where you put a request on a procurement officer to buy a series of items in which he sends some items out on one invitation for bid, and other items out on another invitation for bid——

Mr. HOLIFIELD. I really meant, so far as the technical services are concerned.

Colonel COOK. We have no reason so far to believe that any type of commodity regulation or nonregulation, whether it be a tank or a pencil, will not fit the system.

Mr. HOLIFIELD. You said a few moments ago that there might be some objection in some quarters to this system. I am not critical of objections, understand, because I think any method should be defended until a new method is found to be better. Do you find objection on the basis of just opposing a change, or are they skeptical of the merits of this system?

Colonel COOK. I suppose it is skepticism of the merits of the system. Certainly I could not attribute it to the inertia or a tendency not to adopt the new, and not change. We are not opposed to something new, but actually what we are doing is based on the developments in the reproduction field that have made this possible only in the last few months.

Mr. HOLIFIELD. You are speaking now of the method of reproduction?

Colonel COOK. Yes, sir. To photograph anything economically is the key to our operation. I have been in the laboratories of companies where the machine would turn out copies at the rate of 100 to 200 a minute, by scanning with a guidon tube such as used in television. The television tube can scan a series of objects or papers. This machine will turn out copies, so what is coming up is a revolutionary matter.

Major DAVISON. May I add to what Colonel Cook just stated? Our existing system is excellent, and it is good. We won World War II with it. We are defending our existing system so far as we can in conjunction and independently with this test. So we have to move very slowly.

If I came back to Washington and told General Tansey that I was out in Ogden and it interfered with some combat soldier receiving an item of general supply or logistic support, I wouldn't stay there very long. I just want to add that we have to move slowly. We are not criticizing the existing system at all. It is excellent.

Mr. HOLIFIELD. I will not go along with you on not criticizing the existing system. There is no system that exists, in business or in the Army, that isn't subject to constructive criticism, if that criticism can be made not in a damaging and destructive way, but in a constructive way, and I think there is no need for us to defend the existing system, but we know that the system has worked, and we know also it has fallen down in different instances.

Major DAVISON. Yes, sir.

Mr. HOLIFIELD. So it is not a matter of how to displace the existing system. We are anxious to find out if it can be improved. We are improving in business all the time, and we think the Army can also improve.

Major DAVISON. Colonel Cook and myself are the outstanding opponents of the existing system. We are fighting hard against it.

Mr. RAY WARD. There are a couple of questions I would like to ask: Do you have a continuation sheet with this requisition form?

Major DAVISON. Yes, sir.

Mr. RAY WARD. Have you found that six items are the average number on the requisition? Is that why you have six on this?

Major DAVISON. I might add this: We have designed a document and have tested it in which we have 10 line items in the document, particularly in the case of spare parts, where the nomenclature is short; 80 to 90 percent of our requisitions are of less than one page on this requisition form here.

Mr. WARD. If the requisition units do a better job of planning their requisitions, there will probably be more and more line items on there.

Major DAVISON. That would be true. In actuality, we get about as many line items on a 12-line document as we have on the conventional shipping document form.

Mr. HOLIFIELD. Colonel Cook, is this system being used anywhere in industry at the present time?

Colonel COOK. Not that I know of. I know that General Electric has evidenced considerable interest in it, and is now studying it.

Mr. HOLIFIELD. It is possible you have a peculiar problem here, although I can see where in any one of the big mail-order houses or department stores doing a mail-order business where an order could come in from a branch office for a series of different articles that they could do the handling of the request by this method. I am impressed generally with this, and it seems like to me offhand that it is an improvement.

Major DAVISON. Yes, sir.

Mr. ROBACK. I would like to ask General Tansey or anyone here whether he is in a position to state that these techniques will be extended to other services and to other items.

FURTHER STATEMENT OF MAJ. GEN. P. H. TANSEY, ASSISTANT CHIEF OF STAFF, G–4

APPLICATION OF RESULTS OF TEST

General TANSEY. I might answer that by stating that at the last meeting of the Technical Services Chiefs, with G–4, General Larkin explained with G–4 the basic ideas and philosophy behind this test, and asked that each of these services look into this field.

I do not believe that you will have the full play in all the technical services that you have in the Quartermaster. I believe that the Medical Corps people might apply this system.

Colonel Asbill, out at the depot which we visited the other day, he asked that we send a team there, which is not practical at the moment because of manpower limitations, and the engineers might be able to apply this system.

As a further step, the technical services are being invited to observe this policy by local representatives at the branch depots, and by representatives from Washington, or wherever the Chief may send them. I do not understand the statement that was made by Colonel

Cook as to the objections to this idea. I think maybe there may be some silent resistance. The people have not yet had a chance to object, because the test has not been evaluated yet. The feeling at G–4 is that these members of this team can have full play of their fancy. Sometimes we cannot always agree with the Comptroller. Our fancy goes beyond the realm of practicability. We welcome this test. As a matter of fact, we are pushing it.

General Larkin stated he wants us to combine our brains with the brains of one of our leading business executives, Mr. Pearson, and our experience with his, to bring up something.

There are questions, however, that we might ask. These are times when reports are called for with such speed that you need electrical accounting records to do it.

For example, when I was out with your party at San Francisco I visited the overseas supply division and I went over their machine room. I asked "Why can't you cut down?" He replied that he had a report to make out which came in from Washington, of all of the items which were delayed in shipment to Korea. If he had had to do it manually, it would have taken him 2 weeks to get it out. He was able to get it out in 48 hours.

So, we are very well pleased in Washington with the progress they are making here. And we hope the test will prove that this is practicable, because it does appear to open a big field, but it is like any other test: it has to be evaluated.

I think the Comptroller in Washington will want to look over it, and it will fall within his function as well as the supply people. It does seem to have a promise.

We are very much interested in it. We have asked the Navy to look into it, and they have been invited to send representatives here and comment on the progress of the test officially or unofficially, and to determine whether they have any good ideas, for which it might be improved.

We can't do these things overnight. You just can't turn a thing like that around on a dime the way you can a polo pony. If we can work this out economically here, and still do our job, that is what we want to do. We want to get the accounting people, the finance and fiscal people, together with the supply people, and bring up something, and I think we can, but you can't do it overnight.

Mr. ROBACK. I want to ask one more question which is perhaps related: that is, do you have anyone making a study of possible limitations in existing legislation which may preclude the elimination of some kinds of reporting?

I don't know who can answer that.

General TANSEY. There are certain parties who are required——

Mr. ROBACK. I am talking about legal requirements; requirements for audit or reporting purposes.

STATEMENT OF MAJ. GEN. H. FELDMAN, UNITED STATES ARMY (RETIRED)

Major General FELDMAN. I think I might give you a comment on that that might lead to the answer, or the information you are after.

I think the Quartermaster General's Office has gone into the problem. A consultant with G–4 is now working on the listing of those reports that are required, and then that should be matched against the cost and the applicability of the present system of supply versus a test approach, to determine whether the end product will ultimately provide the timely reports that are required by the higher echelons.

Mr. ROBACK. And presumably the subcommittee could conclude, therefore, that if certain reports are required, which did not preclude simplified reporting system, that the Department of Defense would make legislative recommendations for the elimination of possibly unnecessary reports.

General TANSEY. The Office of the Secretary of Defense is the one that requires some of these reports.

Mr. HOLIFIELD. I think you missed the import of this question. The question was: Within this test, the simplification of these procedures, if you saw that it contravened some of the existing legislation which therefore needed to be repealed, if a legislative recommendation would come from the Department of Defense to the proper committee of Congress to help you facilitate your work.

General TANSEY. I do not believe these reports that have been mentioned are a requirement of legislation.

Mr. PEARSON. The legislation that applies in this case goes back to 1892, I believe, which states that this shall be as prescribed by the Secretary of War.

Mr. HOLIFIELD. Then you are free to change regulations.

STATEMENT OF HON. HAROLD PEARSON, DEPUTY ASSISTANT SECRETARY OF THE ARMY, RESEARCH AND MATÉRIEL

Mr. PEARSON. There is not within my own observation any restrictive legislation requirements that would impose a limiting factor on the things here.

Mr. HOLIFIELD. I think that answers the question. It can be taken care of in the administrative regulation, and does not require a change in the basic legislation.

Mr. PEARSON. It can. It is a slower process, probably, than we who are working with it would like, because of the many factors involved such as item accountability.

PRECISE ACCOUNTING ON SMALL ITEMS

The Army attempts to have a precise and exact item accountability on nails and carpenter's chalk and mop handles, the same as it does on tanks or aircraft, or sky-sweeping antiaircraft guns costing many hundreds of thousands of dollars.

From a businessman's viewpoint, such a requirement is today an abhorrence. We will not spend a dollar attempting to account for a portion of a cent in value. We are accustomed, rather, in business, to setting up a reserve on our books for inventory shortages which we know will exist. It is inescapable; it is a natural hazard of handling things in great volume, and so long as the loss rests comfortably within that reserve each year as the inventory is taken, we feel satisfied that we have gained by removing the need of attempting to keep much more expensive, precise records.

ATTITUDE OF COMPTROLLER GENERAL

Mr. HOLIFIELD. I happen to agree with your attitude on that as a businessman, myself, but I am wondering if the Comptroller General goes along with that line of thought.

Mr. PEARSON. That is the present difficulty. Actually——

Mr. HOLIFIELD. Of course, as I understand Colonel Cook, he indicated that there was something in this procedure that could be changed to a certain extent to an item accountability and to a dollar accountability.

Mr. PEARSON. We are moving as rapidly as we can in the Army to accomplish that. Our present objective is to accomplish it in our major industrial-type activities; perhaps within 3 years, although I think that is a very short period of time. I attended a meeting in Washington on Monday of the Technical Services Chiefs, and their staffs, at which a requirement was laid down that in accordance with many demands that we do so, we expedite the application of industrial funds as rapidly as practicable, and there was there authorized the engagement of professional assistance to complement a limited staff of our own to accomplish that objective.

Mr. HOLIFIELD. As you know, our committee produced legislation just recently which raised the limit of spot purchasing without going through the bidding procedure.

Mr. PEARSON. Yes, sir.

Mr. HOLIFIELD. And for the defense agencies we raised it very high.

Mr. PEARSON. Yes, sir.

General TANSEY. We will still have item accounting; we will have to have that, but it will—there will be a dollar tag on it.

Mr. PEARSON. The merchandiser needs item accounting, but he does not need precise item accounting.

For instance, if you have 15 million 3-by-5 cards in stock as opposed to 15,107,908 3-by-5 cards, or some such precise thing as that; illustrated, rather, in round totals.

Mr. HOLIFIELD. A specific item accountability is no protection against fraud or pilferage.

Mr. PEARSON. No, sir; because I think the major cause of loss in the Army is neither fraud nor pilferage. But actual damage; just the normal damage of handling; broken boxes, bags, and so forth.

Mr. HOLIFIELD. Every industrial company has that, too.

Mr. PEARSON. The same thing; and it is accepted as a part of the cost of doing business, and a very minor cost, as a matter of fact. In our business we set up a 2-percent reserve for inventory shortages, and drive ourselves crazy searching for the cause of anything that goes over about three-quarters of 1 percent; to keep precise records would cost a great deal more than three-quarters of 1 percent.

Mr. HOLIFIED. Processing an item of $4 would cost about $10 to handle.

Mr. PEARSON. Yes, sir.

Mr. HOLIFIELD. When the pilferage may be great, you can show so many of these issues were in the low dollar bracket. This would indicate unless we can improve that system of paper cost that we are losing more by the processing and handling of the paper than by the losses themselves.

Mr. PEARSON. Without question, the ratio runs maybe 10 to 1, or 100 to 1.

ORDNANCE AND ENGINEERS HAVE MANY SMALL ISSUES

Mr. WARD. In that connection, Mr. Pearson, haven't your studies shown that the same small issues obtained in Ordnance and Engineers because of the parts?

Mr. PEARSON. Without question; it ought to be entirely eliminated. If you need one small, minute part of a complex machine it is no good to send a dozen; it is one you need.

The problem is intensified with both Engineer and Ordnance by the spare-parts problem, and it will be, I believe, our greatest opportunity, to be of service.

Mr. WARD. It is commonly misunderstood that big machines are in fact combinations of innumerable small component parts.

Mr. PEARSON. At the risk of extending a moment or two beyond your scheduled 11:30 adjournment, if the chairman would care to have me do so, I would like to say a few words on this test.

Mr. BONNER. I want to hear you; that is what we are here for.

PHILOSOPHY OF MERCHANDISING

Mr. PEARSON. I would like first to hasten to say and to emphasize that the thing we are here doing is not in any sense a system or a mechanism involving merchandising; rather, it is a careful analysis of a philosophy of merchandising above and beyond and of immensely greater scope than the procedure of whether to use this form or that, or this kind of equipment or that.

The military mission since the establishment of the Army has been to supply troops with the things the troops needed to conduct their purpose. All pressures, almost without exception, all effective pressures throughout the 175 years of Army life, are on the side of supplying troops.

LACK OF INCENTIVES FOR ECONOMY

Few men have been in difficulty for oversupply, or overstocking, as we would say in a business sense; many men have been in difficulty because at a time of great need they didn't have the facilities by which they could supply a thing that was needed.

All of the pressure, then, is on one side, there are few counterpressures, and those are not very effectively used. The result, then, is a tendency which is a military characteristic, I am speaking as a civilian, the result is a tendency to play it safe on supplies within the limitation of their fiscal capacity to do so.

The history of the Army is one of long periods of famine in peacetime, between wars, and a brief and extremely intense period of feast in the procurement situation in the time following, when somebody rings a bell and we go to war.

Then, when the war ends, we revert back, as we all remember, to the 1946–47 and the 1948–49 type of budget, until again there is a threat of war; and then the pendulum swings back to the extreme on the other side.

We are all in every sense products of the pressures that are upon us from time to time. A successful business management is composed,

as you know, of balancing pressures and counterpressures. We have the pressure of supply; we do not have the counterpressure for inventory turn-over, for low operating cost in relation to the accomplishment of our mission.

MUST GEAR FOR LONG PULL

Now, I believe—and I have discussed this frequently—I believe the Army faces an entirely new set of conditions which is without precedent in its experience. If the Soviet does not force a full, all-out war, I believe the country faces a number of years, maybe 5 or 10 or 15 or more years, in which it must live in a state of semimobilization preparedness; a period in which we must have a minimum preparedness base, so if war should be forced upon us, we can support troops in their isolated places. That base must be expansionable so that we can support 10 times our existing forces; and beyond that, in all probability. But, in those 5 or 10 or 15 or more years of semimobilization, if it works that way, we must find a way to manage our economy and operate a supply system so that we do not present too great a drain on the economic ability or capacity of the country to support.

TRIED TO SEPARATE OUT MILITARY ITEMS

My first approach to the analysis of this problem caused me to immediately subdivide in my own mind those things which are strictly military in the sense of guns and bullets, and the things in immediate support of the troops in combat, from those things which are commercial in nature, and which the Army could, and I believe strongly should, avail itself of every opportunity to adopt commercial practices and controls.

MOST ITEMS ARE COMMERCIAL IN NATURE

I learned, to my surprise, because I am without military experience in this sense, that something like 70 percent of all the supply actions of the military are commercial in nature. All of the things, the housekeeping things, which are no more military than what our wives buy when they go to the stores; and extending that thought, I observed that we were by practice devoting as much time and attention to the recording and warehousing and merchandising of penny items of household supplies as we were devoting to extremely important merchandise.

TREMENDOUS VOLUME OF RECORDS SENT TO CENTRAL OFFICE

The result, I observed, was a tremendous detail of records sent into the central offices, with literally miles of electronic accounting machine tape, recording transactions cluttered up by trivia, by the recording of trivial matters, of little or no consequence to the over-all military objective of the Army. The result I saw was that the very volume of the trivia impeded and cluttered up the handling of the really important military types of things.

OVERCENTRALIZATION IN SUPPLY AREA

The next observation was that the Army practice is for complete centralization of all thinking in the supply area, but which also involves the movement of great masses of detailed data to central stock-control points. The depot personnel have almost no voice in what they receive, store, and issue, although they are the closest to the merchandise they handle, and they are the closest to the customers whom they supply with that merchandise.

USE OF FORMULAE DUE TO CENTRALIZATION

Such complete centralization, bringing such volumes of data into central stock-control points, required the development of formulas over a span of years, multipliers and dividers, and formula used to compute mechanically the requirements of the Army and to subdivide those requirements into the depot distributing system. Thus, mechanical formulas have taken the place almost entirely in these commerical things that account for 70 percent of our supply actions, of the intelligence and ability of experienced merchandisers in the sense that business understands and uses that term.

RESPONSIBILITY DIVIDED

It further subdivides—so completely subdivides—the responsibility for the end result that it is almost impossible, except for the Chief of the Technical Services itself, to point a finger at an individual whose unsatisfactory performance had resulted in badly balanced inventory conditions.

CAN'T FIX GOOD OR BAD PERFORMANCE

It was then not possible because of mechanization and subdivision of responsibility to clearly establish responsibility for either good or bad performance in inventory control except, as I say, to the Chief of the Technical Service. It then was impossible to recognize those who were performing well and reward that performance; to identify those who were performing poorly and to help them to a better performance, or to eliminate them and replace them with those more capable.

My thirty-odd years' experience in this area has taught me that informed initiative of able people close to the merchandise and close to the customer they were serving resulted in a vastly superior performance over the mechanical formula which is too frequently substituted for local ability. We have been told here this morning that the Utah General Depot has an inventory turn-over of about 0.86 times per year. That would compare with a normal commercial distributive turn-over of three or four times a year. In other words, the turn-over of supplies at this installation is only one-fourth or one-fifth as frequent as would be the normal, commercial operation.

TURN-OVER ONLY SIX-TENTHS TIMES PER YEAR

In the general supply section of the Quartermaster Corps at this depot, the turn-over figure is 0.6 times per year. Keep in mind most

of that merchandise is semicommercial or commercial in nature, and not militaristic in the sense of guns or planes. The turn-over of general supplies of the major distributors of those things in the country would be six or seven or eight times as great as the turn-over of general supplies at this depot.

Now, even making allowances—full allowances—for military conditions; in other words, the requirements that are put on reserves for one contemplated purpose or another, I still believe that it is possible to substantially increase the turn-over and substantially reduce the inventory of general supplies at this depot, by application of commercial practices in merchandising commercial items. The purpose, then, of our test, is to attempt to establish this principle in an actual Army operation.

I wanted to mention that quickly because I was afraid that we had conveyed the impression that we were talking more the mechanics of the system than we were the philosophy that underlies it—the philosophical objective upon which we are working.

Now, progress in this test has been to some of us encouraging, although I am impatient, and admit that it has been to me discouragingly slow. Others in the Army remain yet unconvinced of the soundness of this philosophy.

HABITS MUST BE CHANGED

I think we have a long way to go because the task of accomplishing changes of habits of thought in so extensive an organization as this, is a long and slow task. It requires perseverance and patience, and we are trying with some difficulty to assemble those capacities.

OBJECTIVE OF TEST

The objective of the test, then, is to speed up supplies of commercial items (only commercial items at this point); to reduce the cost of handling those things by a substantial percentage; to reduce the inventories and increase very substantially the turn-over of the zone of interior depot system in these commercial things; and to render more complete service to our customers.

APPRECIATE BONNER SUBCOMMITTEE HELP

In a number of instances I feel, and many of us at the Department of the Army share this viewpoint, a sense of gratitude to the Bonner committee for providing in many ways support which was at times badly needed in convincing people of the necessity of doing some of the things that we are talking about. Specifically, the use of open-end contracts, which was advocated so strongly in your report a year or a year and a half ago, and repeated subsequently, is, I think, a great opportunity for us to increase turn-over and to speed up the processes of accomplishing replenishment of stock at remote depot installations. The support given by your recommendations and your requirements I have found personally to be extremely helpful.

NEED FOR MORE DIRECT SHIPMENTS—LESS DEPOTING

Another area yet to be fully explored but receiving a great deal of constructive attention is your interest in the use of direct shipments of supplies from manufacturer to point of use. Carloads of things need not be ridden needlessly about the country by moving from point of origin to depot to point of use. This plan of depot shipment offers, I think, an opportunity to accomplish tremendous dollar savings in freight and handling costs in such a way that the aggregtae reward will, I believe, make it possible for us to accomplish great economies; and permit us to do a substantially better job in our basic Army mission of providing the matériel of war, by using for that accomplishment the money saved in vast amounts by the application of some of these sensible commercial practices in distributing supplies in large volumes.

I wanted to say those things quickly so we could get away from any thought that this was a mechanical procedure and into the understanding that it is a philosophy of merchandising in an era without precedence in the experience of the Army; a period of extended years of semimobilization, and one to which some very determined men in the Army are devoting a great deal of attention at this time.

Mr. BONNER. I want to say that your talk here is most refreshing. Your line of thought, your ideas, are just the thing that this subcommittee has had in mind now for 2 years.

We have met a stubborn wall of resistance, and though I say that charitably, I think the military is so steeped in their procedure, in things handed down, it has been like butting your head up against a brick wall.

I have often said to my staff, "I am really wasting my time; what I am doing is butting my head against a brick wall." But, finally we have, through the assistance of this splendid staff—we have shown some reductions, and I am just delighted to find that there is recognition in the high echelons of the military that something must be done about this thing.

MILITARY WILL SOCIALIZE EVERYTHING

You know the military will have everything; as far as being socialized, we will be socialized by the military instead of the Congress and legislation, in view of all of these industrial fields that the military is going into.

We find them shipping coffee from one place to another place where there is a coffee-roasting plant near the place where they are shipping to.

GENERAL SERVICES ADMINISTRATION SHOULD RELIEVE MILITARY OF SOME MINOR DUTIES

In going over with the General Services Administration's items under their direction to be used by the military, when Congress set up the General Services Administration they thought it would relieve the military of some of these household responsibilities, and let the military apply itself to the purpose of the military. But there is a great deal of resistance to that.

For example, in items here, that are under designation to be supplied by the General Services Administration, we find, for instance, toilet paper, four different kinds; we have gotten down to a common level on a lot of this stuff in the service, but they still want four different kinds of toilet soap—eight different kinds of soap.

There must be an answer to this, but as a layman and businessman it would not seem it is necessary to have four different kinds—four different flavors, or four different kinds, or eight different kinds of toilet soap, whatever it may be; paper blotters, six different kinds, and pencils, just general writing pencils, ten different kinds. I know there are soft pencils, hard pencils, round pencils, and octagon pencils, but they all write about the same, and I could go on with this list.

Have you looked into any of this to see whether they have to have so many different kinds of these items?

DUPLICATION OF STOCKS

Mr. PEARSON. That area analysis came under my careful attention. I chose from a long list that was available the most nonmilitary thing I could think of, which was a 3 by 5 card. I found those cards carried in the Army in 16 different stocks.

Mr. BONNER. Here are waste-paper baskets; 11 different kinds. That certainly must take a whole lot of valuable warehouse storage space in requirement for inventory, and so forth. They are the things that worried this subcommittee. I am delighted to have had this opportunity to hear you.

Mr. WARD. Will you discuss for a minute stock levels for commercial items like coffee? These household items.

Mr. PEARSON. At the depot level, the very sound principle of control of inventories by stock levels has been by the Army for one reason or another virtually abandoned. It is not an effective control media at the present time.

Stock levels are established at the depot level, but so many additional things require additions to the inventory which were not considered in the establishment of the stock level. The stock levels at the depot level have come to be virtually meaningless, even for the most commercial of all of our things.

The Army needs, and if Mr. Pace and Mr. Johnson and some of us have the opportunity to do so, it will accomplish a policing of the effectiveness of the control of inventories by use of stock levels, or some equivalent means; that the turnover of commercial supplies can be speeded up several times beyond its present rate. I believe that in the area of half a million square feet of space at this depot is occupied by general supplies. I believe that the accomplishment of, say, only half of a commercial rate of turn-over should reduce by a quarter or a third or perhaps more than that the number of square feet occupied by mop handles and carpenter chalk and lamp wicks, and things of that nature. That would give us additional square feet of space for the storage of things we need that are for a military purpose, and we could accomplish that without the necessity——

Mr. BONNER. A lot of these things could be stored outside.

Mr. PEARSON. I believe much of the general supplies are stored outside.

FURTHER STATEMENT OF ELMER H. WARD, CHIEF, MANAGEMENT OFFICE, UTAH GENERAL DEPOT

Mr. ELMER WARD. Yes, sir; we have some of it outside.

Mr. BONNER. This subcommittee has studied in the very field you are talking about. We haven't gone into other fields; we leave that to the military technique and intelligence.

This subcommittee has gone out and walked through depots, miles and miles of depots, walked and asked questions about goods standing in storage, and we have found repeatedly when we would see old-age goods which had been in the stock bins for years and when asking the supply officer, "Well, what about this?" he says "I don't have anything to do with it; it was just shipped to me from Washington."

Mr. ELMER WARD. That is correct.

Mr. BONNER. That is as sorry a program as there ever was. The man in the field knows more about the situation than somebody up at the Pentagon, and someone in the Pentagon, just because they have a special lot of money, yielded to the pressure of smart salesmanship, just overbuys, and they have got to have a place to store it, and they ship it and it stays there for years, until it is declared no good.

Mr. PEARSON. I believe, as I expressed here, deeply in the principle that for commercial-type items (70 percent of the supply actions at a depot like this) the people who are close to the merchandise itself and close to the customer who uses it, can do a better job of maintaining and replenishing stock.

The Quartermaster Corps, for instance, during the war, had a number of reserve depots which were actually wholesale type of depot; places to which additional support reserves backed up the stocks at the supply depots themselves. They were needed, but the Quartermaster Corps does not now have the reserve depots. All of its depots are operating depots. So that stocks accumulated for special reserves purposes for one reason or another will be located here and there, as these people anticipate whether they are to move out of the west coast, or the east coast. With that single exception, I believe completely in the principle of absolutely identifying responsibility, of holding strictly accountable for performance, including turn-over, service to customer, and all of these things; identifying and rewarding by promotion and inducement those who do those things well; identifying and either training toward improvement or replacing those who do not have the capacity to do those things well.

In all candor, I think I would not suggest that if we were in a time of all-out war, that may last a year or two or three or four, because I am talking about something that has years of training and accomplishment ahead of it, but if my fundamental belief is correct; if we are not forced into an all-out war, if we just must live in a state of semimobilization for a number of years, I think we should learn to operate within the atmosphere then existing.

Mr. WARD. I would like to ask you this question:

This subcommittee has been studying the coffee business in the military and testimony given to the Appropriations Committee was to the effect it was necessary to have a reserve of 62 million pounds of coffee, they use about 125 million pounds of green coffee; in other words, about a 6 months' supply. Now, even though that is an enormous

figure, they only consume about 5 percent of the coffee that is shipped into the United States, because everyone uses coffee.

In your opinion as a businessman handling that type of item, do you need a 6 months' stock level?

Mr. PEARSON. I think the consideration which must be added to the conclusion a businessman might reach on that point would be the risk of having removed by acts of war the pipeline which would accomplish replenishment. The loss, for instance, of the ability to run ships up and down from the supply to the United States in the early days of a war would create a problem beyond business comprehension or consideration. I would say purely on the business side that there was no justification for so large a reserve.

Mr. WARD. Well, of course there is a normal reserve in the country of 3 or 4 million bags of 132 pounds each, so the risk that might be involved, where the military has the right of requisitioning, would seem rather obscure.

Mr. PEARSON. It would seem to me that the risk would not be of the military being short of coffee. I think if there is a risk involved it would be a risk of the military requisitioning supplies and by that action causing civilian discomfort and probably criticism for having not had the vision to provide their reserves so that that discomfort was not required.

Mr. HOLIFIELD. I would like to say that I subscribe wholeheartedly to the philosophy which you have advocated here today, and along with the chairman I want to express my appreciation for all the information that you have given us in this little talk.

I was particularly interested in the fact that you gave us the figures on industrial commercial turn-over of a comparative operation along with the military, and I am perfectly willing to take into consideration the factors of reserve, of additional reserve, that is needed for emergency.

Any fair-minded person would want to take that into consideration, would want to consider the earmarking of those factors in inventory which are peculiarly military, and not of common-use nature, but, even after that, I think that the defense services are subject to criticism for unbalanced supplies in these warehouses. Now, there are some other things that I think this subcommittee is interested in which may not come within your particular province, and that is their tools of procurement; that is, the difference because of lack of standard specifications.

CATALOGING

We are very much interested in that. One of the laws put out by our committee, Public Law 152, sets up this cataloging agency, and we have been pushing that as hard as we can. It is a single Federal cataloging agency, so we can eliminate this duplication which we know is now in inventory.

I personally spent 2 years with the subcommittee investigating surplus after World War II; the inventories in warehouses, the duplication in inventory, the obsolete accumulation of things in inventory, things which had to be subsequently dumped upon the market. I am not blaming the military, for that was the responsibility of Congress, but I know something about the duplication in inventories and

the unnecessary duplication of similar items which could be standardized.

I think the problem with this cataloging program is a matter of control of inventory. I think one of the greatest benefits of this cataloging program is a matter of control of inventories and that it will eliminate duplication in inventory.

NEED FOR TRAINED SUPPLY PERSONNEL

I want to comment on something else. This is my own personal opinion, and I have seen this many times when men, trained in supply, were taken away from their supply duties because of a tour of duty arrangement. I realize that their promotions depend upon that. I think that is a fault of Congress. Congress hasn't taken it into consideration. We are living in a different age today than we were in the early days when every soldier had to be trained in the over-all function of the military services. It is my personal opinion that the Army might do well to develop within these housekeeping functions specialists, giving them the benefit of continuity of service with every right of promotion that they get now, by virtue of tour of duty, and where you have to have specialists in these jobs, keep them there, rather than when you once get a man trained in a specialist's job take him out and put him into something in the way of a military nature.

I think that is a field of improvement which the military might well consider.

Now, in conclusion, I want to say this: that this committee, as has been proven by its records, the Bonner subcommittee and the other subcommittees of the Committee on Executive Expenditures, now known as the Government Operations Committee, have not been interested in rushing into print or headlines; we have enough information on this table to hit every headline in America if we wanted to tonight. We are not interested in sensational stuff; we are not critical of the Army, Navy, or Air Force from the standpoint of just being mean and critical. We think we are the best friends they have, because we want to protect them against criticism, against demagogues who get up and criticize a lot out of proportion about some items, like 14 different types of bakers' caps, or 12 different types of toilet paper. We are not looking for that type of publicity. We want to help, because we believe in the defense of the Nation, and we want to help because we think the military forces are our first line of defense, and are necessary. We are getting pressures from home, as Mr. Bonner told you, to cut down on appropriations for the military, and we can foresee an economy day coming when vital services will be cut unless we can sustain the supply operation as well as the military operation of which we are so proud.

WHY MORE WAREHOUSES?

Mr. BONNER. I would like to have your views on two things: The Congress has just passed a large public works program; we are going to build some additional warehouses, and we have discussed a better utilization of existing warehouse space by the rapid turn-over of stocks.

At this installation here, from your observation and what you have seen, do they need to build some additional warehouses?

Mr. PEARSON. I believe that the accomplishment of, say, only one-half the normal commercial turnover of the things here stored which are commercial and semicommercial, would obviate the necessity for much of the construction done in the depot. There are, I think, two exceptions to that. The depot badly needs a noninflammable storage facility for inflammable things, and the other exception I would put in there is an industrial type of operation in their box shop. It is a producing operation. It produces things of value, and it is not sufficiently housed.

INDUSTRY INSPECTION OF COFFEE

Mr. BONNER. In these industrial enterprises of the services, in this coffee business, the services buy their coffee from a group of importers, and then they have the importers inspect the coffee to see if they get what they buy.

If I sold as an importer on this invitation, I would not inspect. Mr. X and Mr. B would inspect what I sell, and if they get the contract the next time, I inspect. What is your opinion of that kind of business operation?

Mr. PEARSON. I do not believe that would be a commercially acceptable practice.

Mr. BONNER. Not in business.

Mr. PEARSON. No, sir.

Mr. BONNER. And as I understand it here, we have three inspection centers, I think, one at New York, New Orleans, and San Francisco. Now, it costs the armed services $112,000 for this inspection, per year, at three places; they pay $0.08 a bag for the inspection of this coffee. Now, what would industry do in a similar case?

Mr. PEARSON. I just don't have knowledge enough of the facts——

Mr. BONNER. They could have three $10,000 a year men, which would be $30,000 a year.

Mr. PEARSON. That is correct.

Mr. BONNER. To test and take samples of coffee they buy.

Mr. PEARSON. That is a field in which I have never had any experience at all.

Mr. BONNER. I haven't either, but you are a businessman.

Mr. PEARSON. I am only guided by common sense; we are taught early in life that independent and thoroughly unbiased inspection is the only sound basis of auditing or inspection.

Mr. BONNER. We are taking only one thing as an example, after all, and we find things like this all along our travels.

Mrs. Harden, any questions?

Mrs. HARDEN. Mr. Chairman, I should like to commend Mr. Pearson for his very fine statement, and also the informative statement of the officers and Mr. Ward. Mr. Pearson, in your opinion, how long do you think this test should continue?

Mr. PEARSON. As a test we divided it into three sections. We have completed section I, which was the establishment of the basic records which have the complete simplicity of fully informative background material on cards set up indicating different symbols below in different places the status of the stocks. When pulled out this far [pointing], this represents an overstock involved, and requires attention here and there, and different places through the record; a little shorter, and it

represents low stock, and still shorter, need for immediate replenishment.

That is accomplished, and has been accomplished for some time.

The second phase, as we plan the test, was to operate by passing through the daily flow of requisitions as they come to the depot, and by doing that to accomplish in the procedural phases all of the things necessary to prove the test. An improved procedure could then be expanded. The third phase we are just barely entering into. The first two have been accomplished. The third phase deals with the basic philosophy of clearly defined responsibility for merchandising a line of merchandise, establishing standards of turn-over, effective controls through stock control, and otherwise use of open-end contracts; use of direct shipments from the manufacturer to the using agency, and all those procedures we are just barely getting into.

I would be surprised if we reach a conclusive position in the third phase during the balance of this year, because it involves making contractual relationships with a great number of suppliers; it involves training a staff here, and doing the things that a merchandiser or a buyer does instinctively in a commercial situation.

I would be pleased, indeed, if we had encouraging results by the end of this year at this one place. The task then of evaluating and interpreting the results will involve, as it must, some time. The task of expanding it from this depot to the other Quartermaster depots, and from the Quartermaster Service to the other six services of the Army is a staggering task, and will have to have the attention of my successor's successor's successor, some place down in the future.

I think it is not so much the accomplishment of over-all coverage that should spur us in the effort as the fact that we are from day to day making progress, and that there may be ever-widening little ripples of understanding of a different approach to these things.

It is from those that we get our encouragement.

CARLOAD SHIPMENTS VERSUS LESS-THAN-CARLOAD SHIPMENTS

Mrs. HARDEN. What percentage of shipments from this depot are carload lots?

Mr. ELMER WARD. I would have to get that information for you. On a tonnage basis, the truck shipments versus the carload shipments run approximately 65 percent truck, and 35 percent carload.

Mrs. HARDEN. Thank you.

That is all, Mr. Chairman.

Mr. HOLIFIELD. Mrs. Harden brought up that point, and I think it is important:

Are you availing yourself and your traffic management of the most economical method of shipment commensurate with the job to be performed?

Mr. ELMER WARD. Yes, sir. We take full advantage of in-transit storage facilities of moving supplies to the East, or through either one of the ports of embarkation, the in-transit——

Mr. HOLIFIELD. It so happens that traffic management is also a part of the interest of this subcommittee, and it is a subject that has tremendous possibilities of savings as the Government is spending over a billion dollars a year in transportation costs, and this subcommittee

has not been able to get to that phase of it, but it will, we hope, in the near future.

Mr. PEARSON. The traffic management starts at the date of the initial procurement action.

Mr. HOLIFIELD. That's right.

Mr. PEARSON. And everything subsequent to that is more or less developed depending on the soundness or unsoundness of the——

Mr. HOLIFIELD. This new phase of shipping document from the supplier is one facet which can save the Government millions of dollars in transrails shipments.

Mr. PEARSON. In our business we save millions, and it was somewhat different to the Army procedure.

Mr. HOLIFIELD. We had cases in our own business, I happen to be in the industrial district of Los Angeles where the Navy is sending their supplies back to Philadelphia and then it is shipped to the big Navy storage depots, and some of it is being shipped back out to San Francisco and Los Angeles and San Diego for utilization, and I know that to be a fact.

If we handled this from the point of procurement, and from there on, a savings—a great savings—could be made.

Mr. PEARSON. I think it would be wrong, although I hesitate to say so, I think it would be wrong to convey the impression that we are doing here a truly smart job of traffic management. There are areas of divided responsibility——

Mr. HOLIFIELD. That's right.

Mr. PEARSON. There are areas of divided responsibility within the Army. The Transportation Corps has a different technique, but much yet can be done to improve performance.

Mr. HOLIFIELD. Mr. Kennedy has just mentioned to me a moment ago, General Feldman, that you are possibly the first man who spent your whole career in the Quartermaster Corps without other tours of duty.

General FELDMAN. Well, that is not exactly right. I must admit before all of these quartermasters that I was basically a Field Artillery man; I hope they will forgive me for that.

Mr. HOLIFIELD. But most of your career has been spent with the Quartermaster; has it not?

General FELDMAN. Yes, sir.

Mr. HOLIFIELD. And it was that point that I had in mind when I said specialists should be developed particularly in the housekeeping branches of the services, and their schooling and knowledge through the years utilized, rather than having them continuously interrupted by tours of duty in other fields of endeavor.

General FELDMAN. I think in all respective levels there is concurrence in that view.

Mr. HOLIFIELD. I know what you are up against, in the way of precedence to overcome that tour of duty system.

Mrs. HARDEN. We have discussed what percentage of outgoing shipments are carload shipments.

What would you say is the percentage of incoming shipments in carload lots?

Mr. PEARSON. Elmer, I will have to ask you to reply

Mr. ELMER WARD. I would say the percentage of incoming shipments would be just our reverse of those going out; about 65 percent inbound carloads, 35 percent outbound.

Mrs. HARDEN. Thank you.

Mr. BONNER. I don't know whether it was Colonel Cook or Mr. Davison who spoke about the efficiency of the men out in the warehouse who are civil service employees.

Someone spoke about it; did you, Mr. Ward? Did you speak about that?

Mr. ELMER WARD. Yes, sir.

USE OF CIVIL SERVICE PERSONNEL

Mr. BONNER. No question was asked about that, but you made some statement that the Civil Service assigned you people who were designated as qualified personnel who couldn't perform the duty; didn't you say that?

Mr. ELMER WARD. In our discussion here with regard to the standards program I said one of the products of the standards program points out the ability of supervisors to do their jobs, and if an employee is referred to us from the civil service register you have your card—your standards program and a means to evaluate his efficiency; to live up to your performance.

Mr. BONNER. When he is assigned to you, and he cannot carry on in accordance with your standards, do you have much trouble getting him relieved?

Mr. ELMER WARD. No, sir; we have all the facts to go into——

Mr. BONNER. So you are not having any trouble with these civil service personnel as to the quality of the personnel; is that right?

Mr. ELMER WARD. No, sir; we are not.

UNIFICATION OF SUPPLY OF COMMERCIAL ITEMS

Mr. ROBACK. I wonder if we could have the benefit of Mr. Pearson's observation and philosophy which he has expounded to the committee in relation to supply unification in the field of commercial items.

In other words, is this thinking applying itself in such a way that it would facilitate the ultimate supply of this type of item from a single source, or by a single agency of the military establishment?

Mr. PEARSON. There is nothing in our knowledge which would impede or retard the program in that direction. The burning need of a merchandiser is a knowledge of the requirements now existing and which will exist in subsequent periods. Only through that can he prepare to meet those requirements. If knowledge, then, of requirements of the immediate and long-range future can be available to merchandisers in any one of the services, they can supply the other services, as effectively as they supply their own. Within a single organization of command that knowledge flows more freely and more certainly than where different command channels become involved, especially insofar as precipitate changes in plans are concerned.

A decision by the Navy to move a substantial portion of a base fleet for one reason or another from one place to a very, very remote place, if not conveyed to the supplier, say the Army, of things for that fleet,

will leave that supplier stranded with overstocks. Of course, the reverse applies on that if a heavy burden not anticipated is placed upon the merchandiser.

There are no difficulties in interservicing and cross-servicing supplies which cannot be overcome, in my opinion, by the accomplishment of fully informative data as to plans long enough in advance to permit the supplier to provide the things necessary to meet those demands, taking into consideration the lead time in procurement, manufacturing time, and transportation.

Our experience in a general way is that we have better knowledge of what is going on within our own service than we have of what is going on in other services.

Mr. ROBACK. It seems to be implied at this point, Mr. Pearson, that that committee's attention has been focused on possible economies of unification in the supply field. If you have to have miles of electrical accounting machines for one service, presumably you have to have miles for each of the other services, so that if it is simplified into one service, the application of those techniques across the board presumably would result in large economies, and that is a less tangible field that the committee has not given so much attention to, as it has to actual procurement and distribution of the supplies themselves.

COMMON LANGUAGE NEEDED AS TO REQUIREMENTS

Mr. PEARSON. The main problem lies in the exchange of information as to requirements. If that is available to the procuring and distributive agency, the balance of the process can, I believe, be performed with advantage to the combined services.

BUYING AGENCY CAN BECOME TOO LARGE

I think there are individual exceptions, however. I think a buying agency can become so big as to become cumbersome, and become such a single large force, in a limited market of supply, as to lose rather than gain efficiency.

Illustrative of that was the decision that shocked the merchandising world a few years ago when Sears Roebuck passed beyond what then looked like a lot of money—sales of $1 billion a year—and began to decentralize their buying activities.

Mr. HOLIFIELD. On the other hand, if the three services are competing in a limited market for the same item, let's say blankets or yardage textiles, whereby——

Mr. PEARSON. That is both bad and foolish.

Mr. HOLIFIELD. Then that, again, becomes an evil; does it not?

Mr. PEARSON. Yes, sir; and if there is not unification, there certainly should be coordination on the closest level.

Uncoordinated buying in this last way——

Mr. HOLIFIELD. It is going to affect our economy very badly.

Mr. PEARSON. Yes, sir.

Mr. HOLIFIELD. And particularly in view of the tremendous purchases that are being made by the Military Establishment.

Mr. PEARSON. Yes, sir.

Mr. WARD. It would be necessary, at least, to get the requirements together; wouldn't it, Mr. Pearson, and then see what is the best way

to procure them; whether centralize, decentralize, open-end contracts or what.

Mr. PEARSON. I think in the great majority of the instances of things we buy which are purchased through coordinated or centralized buying and distribution, it would be further advantageous to accomplish either full coordination or full centralization of those actions.

Mr. BONNER. Mr. Kennedy, do you have a question?

Mr. KENNEDY. I would like to ask General Tansey a question with respect to the validity of this test and operation, since there was a lag of 7 months, according to the presentation, in getting it under way.

Was that due to the interim procurement of personnel, or was it due to the fact that the area was such that it would not lend itself readily, because of the Korean support being involved at that particular time?

NEED FOR QUALIFIED PERSONNEL

General TANSEY. I am not sure, but the personnel might have been. We are up against one limitation: Mr. Pearson asked me today whom I am going to replace Davison with; he is leaving, and I don't have a man who is qualified.

We are under a very limited ceiling. I have a very good man out here, a civilian, carrying on the continuity of the work, but I could not name an officer I would put in Davison's place today.

I have just gotten 15 or 16 replacements, and I am not sure if I have one qualified to take his place. It concerns me very much. I might ask Major Davison: Do you know what caused the delay?

Major DAVISON. Yes, sir; I think I can help you. It was probably done very inadequately in my presentation. We are soldiers, and we have to assure ourselves that we are not going to interfere with the combat effectiveness.

In this test, we are supplying troops in FECOM, and all the training activities within this area. We have to go slowly in a test of this nature.

General TANSEY. That isn't answering the question. He stated there was an interval in which no officer reported out here. I can't answer that.

Major DAVISON. That is the answer, sir. We were working it up in Washington, and we were going through a series of procedures. We are working people, differentiated between the staff and supervisors; we were going over all the procedures and, frankly, certain people in the Quartermaster would say, "What is going to happen on this thing, and what is going to happen to the eventual supply?"

We would have to come up with an answer.

Mr. KENNEDY. Isn't it a fact, Colonel, you cannot base the validity of a test on something that can have an escape hatch, say, the adequacy of supply support supplies, and so forth. In other words, the test of any supply system is whether that system can be carried out during war, or combat operations.

This is only a very small area, and I am wondering how much effect that factor would have on the ultimate validity of the test in operation.

Major DAVISON. In our opinion—I spoke for Colonel Cook and myself—we have put into this test and the procedures we have developed are something to implement Mr. Pearson's philosophy before having a rigid mobilization expansion; that is always a consideration.

Mr. KENNEDY. Have you felt that this operation has in any way hampered the Korean supply support?

Major DAVISON. No, sir. We started this test on a week end; we converted over from the existing system to the test on Sunday; we cleared up our backlog, and on Monday we were operating. So, from a workingman's level, that is an indication of the test procedures, and that they are sound.

And, so far as assuming a rigid workload, and mobilization, we are confident that the system that is being devised here could back up a mobilization program.

Mr. HOLIFIELD. General Tansey, you spoke of Major Davison leaving; how long has he been on this operation?

General TANSEY. He has been here from the start.

Mr. HOLIFIELD. How many months is that?

General TANSEY. About 5 or 6 months.

MANCHU LAW

Major DAVISON. Maybe I can explain. I spent 5 years in the Department of the Army, and under the "Manchu" Act, I must leave.

Mr. HOLIFIELD. You have been engaged in supply work here; haven't you?

Major DAVISON. I have been engaged in my entire career in supply work, and I am going down to the Medical Field Service School. My basic branch is Medical Service Corps.

Mr. HOLIFIELD. And you will continue in supply?

Major DAVISON. No, sir; I will go back and learn the fundamentals of soldiering again. I think my first exercise is a test in map reading.

Mr. HOLIFIELD. You have about 5 years' experience in supply.

Major DAVISON. Fourteen years.

Mr. HOLIFIELD. And now you are going into combat training?

Major DAVISON. Not so much the Medical Department as combat training.

Mr. HOLIFIELD. Field training.

Major DAVISON. Yes, sir. My first exercise there is a test in map reading, which is disturbing me, as I have forgotten it.

Mr. HOLIFIELD. What value to you is this new tour of duty going to be to your 14-year service in supplies?

Major DAVISON. All of my schooling—my branch schooling, my experience——

Mr. HOLIFIELD. But in a different field.

Major DAVISON. No, sir; in a related field. During the war I was a provisional commanding officer of a very small depot. Maybe as I go up a little I might take over a depot such as Colonel Skinner has. I cannot accept that depot unless I know some of the ramifications, and so forth, as to what are the requirements of the division.

Mr. HOLIFIELD. General Tansey, you expressed some doubt at being able to bring a man into this test to replace Major Davison.

General TANSEY. We will get one, but I couldn't name him right off the bat.

Mr. HOLIFIELD. Will he come from the infantry, or will he be a man with supply experience to continue this test?

General TANSEY. He will be a man with supply experience—quartermaster officer, probably, or a medical supply officer; they are both very good.

Mr. KENNEDY. I would like to ask this question:

What do you think of the advisability of assignment of personnel to a test, as demonstrated just a moment ago, and which again we experienced in the Alameda medical test, where they replace the test personnel during the period of the test, so that you then render the take-over most difficult for a successor and certainly don't aid the testing operation?

General TANSEY. It is very bad to have to do that. I think I have lost probably, roughly, 20 officers in the last 6 months.

Major Davison was sent out here because he had been in headquarters a little longer than the rest, and he had the background and experience.

We felt he could handle the job because he had, I think, analyzed the Pearson report which was made; that is, keeping it up to date, and the implementation.

Major Davison was more familiar with this than any other officer in our office, and had been working, I think, probably a year or so on this work with Mr. Pearson.

That was the main reason that he was sent out here.

Mr. KENNEDY. Don't you believe that at departmental level policy consideration should be explored with respect to these tests so that the personnel assigned to them at the beginning will conclude them and, therefore, any evaluation will be that much more sound?

General TANSEY. Well, here is the point on that: An officer normally serves 3 years, and we normally don't send a man on a test like this when he first arrives; he is not worth much on the general staff until he has had a year's experience, or a year and a half.

Now, Major Davison has been working on this particular work with Mr. Pearson for about a year or more.

Mr. PEARSON. Almost 2 years.

At the time Secretary Pace invited me to come in for him in this capacity there was assembled for me a small staff of men, and we visited some 80 of the Army installations in a very careful examination of this area, as background material, before Congress.

Major Davison was one of those men assigned to that staff. He is a medical supply officer, and an excellent one. His loss to this test is a serious loss, and one which I regret very much.

There are two things bearing upon it, however; one, the "Manchu" law,[3] which says he can no longer serve on the general staff, which has many sound bases. Without that, Major Davison's advancement within his own service is retarded, and his future now is largely dependent upon his broadening his experience. He has the ambition that is natural to all of us, and he would like to run his own depot like this some day, and to do so must broaden his experience,

[3] The Manchu law, 64 stat. 265, sec. 201(d) reads as follows:
"A commissioned officer of the Army now or hereafter detailed or assigned to duty in the Department of the Army shall serve for a tour of duty not to exceed four years, except that such tour of duty may be extended beyond four years upon a special finding by the Secretary of the Army that the extension is necessary in the public interest. Upon relief from such duty no such officer shall again be detailed or assigned within two years to duty in the Department of the Army except upon a like finding by the Secretary of the Army. This subsection shall not take effect until one year after the enactment of this Act, and shall be inapplicable in time of war or national emergency hereafter declared by the Congress."

in order to place himself in a position to obtain his own command.

In the long run, as I have observed it from the outside looking in, the practice is generally sound. It does create a great number of serious inconveniences and individual losses in the accomplishment of a greater over-all objective.

Colonel Skinner here is a product of the "Manchu" establishment; all of his experiences in his military career in one way or the other prepared him for the time when he would, as he just did 2 months ago, take command of this depot, which is one of the Nation's largest and busiest operations.

Mr. HOLIFIELD. I certainly think a general experience is necessary in the administration field. There is no doubt about that. At the same time, we have found it necessary in business to develop specialists; to reward them as they developed in knowledge and seniority and responsibility to accomplish their specialized work, and I realize your tour of duty, or "Manchu" program, will make depot commanders and other over-all administrators, but every soldier can't be a depot commander or a general.

Mr. PEARSON. That is correct.

Mr. HOLIFIELD. Certainly it seems to me that there would be some type of modification of the "Manchu" law to the point where exceptions could be made for at least conclusion of specified assignments without damage to the individual.

Mr. PEARSON. The expiration is 3 years. I flounced around and got Major Davison extended because of his excellent service for some time, and then additionally for another time, and additionally for another time, and the clock has run out.

Mr. HOLIFIELD. I see.

Mr. PEARSON. It would not be legal for the Army to retain him on the general staff beyond next week.

Mr. ROBACK. May the record show that Mr. Abersfeller, who is in this room, appeared before the subcommittee when we visited the Giessen depot in Germany, and I wonder whether, from the standpoint of his supply experience, with the quartermaster overseas, he might have some observation on the test that the subcommittee is interested in.

Mr. ABERSFELLER. My only observation is that I think that the supply system can be improved. There is nothing that exists today that cannot be improved.

The supply system itself is broad, and there are many details involved.

I think, for that reason as well as for the other reasons that have been presented progress may seem slow, but to arrive or to preclude arriving at erroneous conclusions I think it is necessary that all factors be properly considered in the establishment or the review of any system.

I think Mr. Pearson and Colonel Cook and Major Davison and others who have worked so hard on this have some very, very fine points. Yet, by the same token, as we move along we will find certain things which up to this point have not been considered, and may preclude the final implementation of some particular recommendation.

I very anxiously await the outcome of this test, because, as I say, I think generally speaking it will result in some very fine improvements in the supply service.

Mr. BONNER. If there are no further questions, that will adjourn the hearing.

I want to thank you gentlemen, all of you, for your splendid cooperation with us here this morning.

(Whereupon, the subcommittee was adjourned.)

(Ogden exhibit 1 follows:)

OGDEN EXHIBIT 1

Ogden Readies Welcome To Junketers

OGDEN (Special)—Prominent state and national figures will join members of Ogden Chamber of Commerce Military and Naval Affairs Committee Wednesday night in honoring 18 members of the Bonner Congressional Committee and party coming to inspect operations at local military establishments.

The dinner party will be given at the summer home of George S. Eccles in Ogden Canyon, beginning at 8 p.m., according to Fred A. Kuhlmann, chairman of the chamber committee.

It is being arranged as an expression of appreciation of local businessmen and citizens of the Ogden area for what the four large defense plants near Ogden mean locally.

The annual pay rolls, new construction and other expenditures of federal funds for the four local military depots constitute the largest source of revenue in the area, it was pointed out.

Chamber sources said the congressional committee probably will be in the Ogden area Wednesday and Thursday, visiting Utah General Depot, an Army installation in Ogden, and Clearfield Naval Supply Depot. Purpose of the visit was not disclosed.

In addition to members of the chamber of commerce and other prominent citizens, Gov. J. Bracken Lee and Utah's congressional delegation have been invited to attend the dinner.

Members of the congressional committee coming in the party were given as:

Reps. H. C. Bonner (D., N. C.), chairman; C. M. Hardin (D., Ind.); C. J. Brownson, (D., Ind.); Thomas B. Curtis (D., Mo.); C. Holifield (D., Cal.), and G. H. Meader (D., Mich.).

'Watchdogs' Due Today At Depots

A congressional "watchdog" committee was scheduled to arrive here this afternoon to begin an inspection of Utah general depot and the big naval base at Clearfield.

The group, headed by Rep. Herbert C. Bonner (D.-N. C.), will spend most of its time at the Utah general depot.

Directing the inspection is Harold Pearson, deputy assistant secretary of the army. He arrived in Salt Lake City last night from Washington.

Pearson said the committee is particularly interested in accounting and bookkeeping methods at the Ogden depot.

"The system being employed at Ogden is new in the army," he said. "Heretofore the same bookkeeping was required for a box of paper clips as for a tank.

"We're trying to cut expense all we can and still run efficiently. We've found lots of little ways to save time and trouble, and eventually money."

Rep. Bonner heads the "watchdog" subcommittee of the house expenditures committee. He said its investigations in the past have saved hundreds of millions of dollars by streamlining methods of buying items used by the three services.

Besides Bonner, members of the committee are Reps. Charles B. Brownson (R.-Ind.), Thomas B. Curtis (R.-Mo.) and Mrs. Cecil M. Harden (R.-Ind.)

Army Depot Waits Congress Group

The Bonner congressional committee, making inspections at military establishments with an eye to saving money in government spending, was scheduled to arrive Wednesday afternoon at Ogden Municipal Airport.

The committee was to go to Utah General Depot at Ogden to inspect accounting and bookkeeping methods employed there, said Harold Pearson, deputy assistant secretary of the Army for research and material. Mr. Pearson arrived in Salt Lake City Tuesday night.

"We are trying to reduce expenses and still run efficiently," said Mr. Pearson. "The system employed at Ogden is new in the Army. Previously the same bookkeeping was required for a box of paper clips as for a tank."

The committee is headed by Rep. Herbert C. Bonner (D., N. C.). Members of the committee will be honored at a luncheon Thursday noon in Ogden.

Congressmen To Inspect Ogden Base

WASHINGTON (AP) — Investigating congressmen leave tomorrow for a two-week inspection of four main U. S. military centers to study ways to buy supplies for the armed services more cheaply.

The group will visit military installations at Dayton, Ohio; St. Louis, Mo.; Alameda, Calif., and Ogden, Utah.

Watchdog Committee

Rep. Bonner (D-N. C.) heads the watchdog subcommittee of the house expenditures committee. He says its investigations in the past two years have saved hundreds of millions of dollars by stream-lining methods of buying items used commonly by all three services.

Other members of the inspecting group probably will include Reps. Harden and Brownson, Republicans of Indiana, and Thomas B. Curtis (R-Mo.), with Reps. Shelley and Holifield, California Democrats, joining them in Alameda.

The group will spend Monday and Tuesday at the air materiel command base in Wright field, at Dayton, then visit the army medical depot in St. Louis Wednesday.

To Be Here Aug. 27 and 28

It will fly to California to inspect the army medical center at Alameda then leave the bay area Aug. 26 for Ogden, where the men will inspect a quartermaster depot Aug. 27 and 28.

Members said they are particularly interested in plans to cut costs by a more rapid turnover of common items, which the Utah base is trying.

Bonner Group Welcomed In Ogden Area

OGDEN (Special)—State, county and city officials joined with ranking officers of military installations of the Ogden area Wednesday afternoon in welcoming members of the Bonner (Watchdog) Committee of Congress to Ogden.

The committee, headed by Rep. Herbert C. Bonner, (D., N. C.) arrived by military transport plane at Ogden Airport about 3:30 p.m., where it was met by commanding officers or their representatives of Utah General Depot, Ogden Arsenal, Hill Air Force Base and Clearfield Naval Supply Depot.

In the welcoming party were Brig. Gen. A. H. Gilkeson, Hill Air Force Base commanding officer; Rear Adm. C. H. Gillian, commanding officer, Clearfield Naval Supply Depot; Col. L. L. Skinner, commanding officer, Utah General Depot, and Lt. Col. J. G. Hayne, executive officer representing Col. H. H. Needham, commanding officer, Ogden Arsenal.

With Ogden Police Chief M. J. Schooff heading the police escort provided for the group, they were taken to the Ben Lomond hotel, where they freshened up and then were taken to the George S. Eccles summer home in Ogden Canyon

ARMY REQUISITION
DA FORM 445-2, 1 MAR 52 (TEST)

TO:

SHEET ___ OF SHEETS

BASIS/AUTHORITY/NOTES:

Items required for replenishment this station
Stock levels established in accordance with TM 38-400 TM 38-405

I CERTIFY THAT THE QUANTITIES REQUISITIONED HEREIN PLUS THE QUANTITIES ON HAND AND DUE IN DO NOT EXCEED THE REQUISITIONING OBJECTIVE.

REQUISITIONING OFFICER (Type Name, Grade and Sign)
LAWRENCE J. PARKER
WOJG USA, Property Officer

APPROVING OFFICER (Type Name, Grade, Title and Sign)

REQUISITION NO.	DATE OF REQUISITION	TRANSPORTATION ALLOTMENT SYMBOL
08-010-4356-52	1 April 52	

CONSIGNEE	REQUIRED DATE	SPECIAL INSTRUCTIONS
Transportation Officer Camp Carson, Colo.	1 May 52	
MARK FOR	PRIORITY	
Quartermaster	STOCK RECORD ACCT. NO.	
	2-520	

NO.	STOCK NO.	U/I	REQUISITION NO.	VOUCHER NO.
1.	53-C-9091	EA	08-010-4356-52	

Card, index, filing, white, plain
5" x 8"

CONSIGNEE	REQUISITIONED	QUANTITY	ACTION
	500		
	SHIPPED		
	RECEIVED		
UNIT PRICE	TOTAL PRICE	LOCATION	

NO. PKGS. | TYPE PKGS. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE

NO.	STOCK NO.	U/I	REQUISITION NO.	VOUCHER NO.
2.	53-C-9093	EA	08-010-4356-52	

Card, index, filing, white, plain,
5" x 8"

CONSIGNEE	REQUISITIONED	QUANTITY	ACTION
	280		
	SHIPPED		
	RECEIVED		
UNIT PRICE	TOTAL PRICE	LOCATION	

NO. PKGS. | TYPE PKGS. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE

NO.	STOCK NO.	U/I	REQUISITION NO.	VOUCHER NO.
3.	53-C-4900	EA	08-010-4356-52	

Card, guide, blank, plain tabs, buff
1/5 cut, 5" x 8"

CONSIGNEE	REQUISITIONED	QUANTITY	ACTION
	80		
	SHIPPED		
	RECEIVED		
UNIT PRICE	TOTAL PRICE	LOCATION	

NO. PKGS. | TYPE PKGS. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE

NO.	STOCK NO.	U/I	REQUISITION NO.	VOUCHER NO.
4.	53-C-4908	EA	08-010-4356-52	

Card, guide, blank, plain tabs, buff
1/5 cut, 5" x 8"

CONSIGNEE	REQUISITIONED	QUANTITY	ACTION
	35		
	SHIPPED		
	RECEIVED		
UNIT PRICE	TOTAL PRICE	LOCATION	

NO. PKGS. | TYPE PKGS. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE

NO.	STOCK NO.	U/I	REQUISITION NO.	VOUCHER NO.
5.	53-C-7894	EA	08-010-4356-52	

Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"

CONSIGNEE	REQUISITIONED	QUANTITY	ACTION
	80		
	SHIPPED		
	RECEIVED		
UNIT PRICE	TOTAL PRICE	LOCATION	

NO. PKGS. | TYPE PKGS. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE

NO.	STOCK NO.	U/I	REQUISITION NO.	VOUCHER NO.
6.	53-C-7896	EA	08-010-4356-52	

Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7/8"

CONSIGNEE	REQUISITIONED	QUANTITY	ACTION
	50		
	SHIPPED		
	RECEIVED		
UNIT PRICE	TOTAL PRICE	LOCATION	

NO. PKGS. | TYPE PKGS. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE

DA FORM 445-2 (TEST)

ARMY REQUISITION
DA FORM 445-2, 1 MAR 52 (TEST)

TO:

SHEET ___ OF ___ SHEETS

BASIS/AUTHORITY/NOTES

Items required for replenishment this station
Stock levels established in accordance with TM 38-400 TM 38-403

I CERTIFY THAT THE QUANTITIES REQUISITIONED HEREIN PLUS THE QUANTITIES ON HAND AND DUE IN DO NOT EXCEED THE REQUISITIONING OBJECTIVE.

REQUISITIONING OFFICER (Type Name, Grade and Sign)
LAWRENCE J. PARKES
WOJG USA, Property Officer

APPROVING OFFICER (Type Name, Grade, Title and Sign)

REQUISITION NO.	DATE OF REQUISITION	TRANSPORTATION ALLOTMENT SYMBOL
05-010-4356-52	1 April 52	

CONSIGNEE: Transportation Officer, Camp Carson, Colo.

REQUIRED DATE: 1 May 52

PRIORITY:

MARK FOR: Quartermaster

STOCK RECORD ACCT. NO.: 2-520

SPECIAL INSTRUCTIONS:

Item	Stock No.	Unit	Description	Requisitioned
1.	53-C-9091	EA	Card, index, filing, white, plain 3" x 5"	500
2.	53-C-9093	EA	Card, index, filing, white, plain, 5" x 8"	250
3.	53-C-4900	EA	Card, guide, blank, plain tabs, buff 1/5 cut, 3" x 5"	50
4.	53-C-4908	EA	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"	25
5.	53-C-7894	EA	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"	50
6.	53-C-7896	EA	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7/8"	50

(Each item block also contains blank fields: NO. PKGS., TYPE PKGS., PKG. NOS., UNIT WT., TOTAL WT., UNIT CUBE, TOTAL CUBE, REQUISITION NO., CONSIGNEE, $ UNIT PRICE, $ TOTAL PRICE, VOUCHER NO., SHIPPED, RECEIVED, QUANTITY, ACTION, LOCATION.)

DA FORM 1 MAR 52 445-2 (TEST)

ARMY REQUISITION
DA FORM 445, 1 MAR 52 (TEST)

SHEET OF SHEETS

BASIS/AUTHORITY/NOTES

Items required for replenishment this station
Stock levels established in accordance with TM 38-400-TM 38-403

I CERTIFY THAT THE QUANTITIES REQUISITIONED HEREIN PLUS THE QUANTITIES ON HAND AND DUE IN DO NOT EXCEED THE REQUISITIONING OBJECTIVE.

REQUISITIONING OFFICER (Type Name, Grade and Sign)
LAWRENCE J. PARKES
WOJG USA, Property Officer

APPROVING OFFICER (Type Name, Grade, Title and Sign)

REQUISITION NO.	DATE OF REQUISITION	TRANSPORTATION ALLOTMENT SYMBOL
05-010-4356-52	1 April 52	
CONSIGNEE: Transportation Officer, Camp Carson, Colo.	REQUIRED DATE: 1 May 52	SPECIAL INSTRUCTIONS
	PRIORITY	
MARK FOR: Quartermaster	STOCK RECORD ACCT. NO.: 2-520	

1.	53-C-9091	EA	Card, index, filing, white, plain 3" x 5"	NO. PKGS.	TYPE PKGS.	PKG. NOS.	UNIT WT.	TOTAL WT.	UNIT CUBE	TOTAL CUBE	UNIT PRICE	TOTAL PRICE	REQUISITION NO. 05-010-4356-52	REQUISITIONED 500
2.	53-C-9093	EA	Card, index, filing, white, plain, 5" x 8"	NO. PKGS.	TYPE PKGS.	PKG. NOS.	UNIT WT.	TOTAL WT.	UNIT CUBE	TOTAL CUBE	UNIT PRICE	TOTAL PRICE	REQUISITION NO. 05-010-4356-52	REQUISITIONED 250
3.	53-C-4900	EA	Card, guide, blank, plain tabs, buff 1/5 cut 3" x 5"	NO. PKGS.	TYPE PKGS.	PKG. NOS.	UNIT WT.	TOTAL WT.	UNIT CUBE	TOTAL CUBE	UNIT PRICE	TOTAL PRICE	REQUISITION NO. 05-010-4356-52	REQUISITIONED 60
4.	53-C-4908	EA	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"	NO. PKGS.	TYPE PKGS.	PKG. NOS.	UNIT WT.	TOTAL WT.	UNIT CUBE	TOTAL CUBE	UNIT PRICE	TOTAL PRICE	REQUISITION NO. 05-010-4356-52	REQUISITIONED 25
5.	53-C-7894	EA	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"	NO. PKGS.	TYPE PKGS.	PKG. NOS.	UNIT WT.	TOTAL WT.	UNIT CUBE	TOTAL CUBE	UNIT PRICE	TOTAL PRICE	REQUISITION NO. 05-010-4356-52	REQUISITIONED 50
6.	53-C-7896	EA	Card, guide, pressed-board, gray, blank self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7/8"	NO. PKGS.	TYPE PKGS.	PKG. NOS.	UNIT WT.	TOTAL WT.	UNIT CUBE	TOTAL CUBE	UNIT PRICE	TOTAL PRICE	REQUISITION NO. 05-010-4356-52	REQUISITIONED 50

Quartermaster Property Officer
Camp Carson, Colo.
(2-520)

SHIPPED
RECEIVED
VOUCHER NO.
QUANTITY
ACTION
LOCATION

DA FORM 445 (TEST)

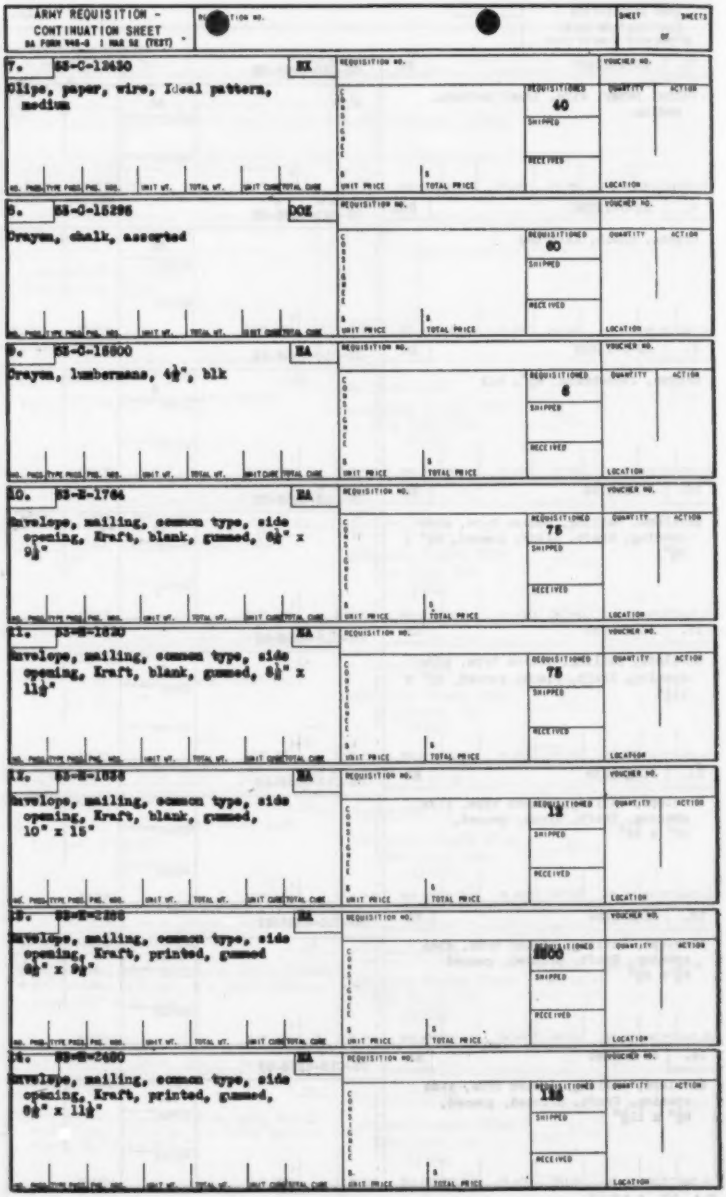
ARMY REQUISITION - CONTINUATION SHEET
DA FORM 446-3 1 MAR 52 (TEST)

REQUISITION NO. | SHEET | SHEETS OF

7.	53-C-12430	EX	Clips, paper, wire, Ideal pattern, medium	08-010-4386-52	40
8.	53-C-15296	DOZ	Crayon, chalk, assorted	08-010-4386-52	60
9.	53-C-15500	EA	Crayon, lumbermans, 4½", blk	08-010-4386-52	6
10.	53-E-1764	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, 6½" x 9½"	08-010-4386-52	75
11.	53-E-1820	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, 9½" x 11½"	08-010-4386-52	75
12.	53-E-1836	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, 10" x 15"	08-010-4386-52	12
13.	53-E-2286	EA	Envelope, mailing, common type, side opening, Kraft, printed, gummed 6½"x 9½"	08-010-4386-52	2500
14.	53-E-2450	EA	Envelope, mailing, common type, side opening, Kraft, printed, gummed, 9½" x 11½"	08-010-4386-52	125

Each row: NO. PKGS | TYPE PKGS | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE; CONSIGNEE; UNIT PRICE; TOTAL PRICE; REQUISITIONED; SHIPPED; RECEIVED; VOUCHER NO.; QUANTITY; ACTION; LOCATION

DA FORM 445-3 (TEST)



ARMY REQUISITION - CONTINUATION SHEET
DA FORM 445-3 1 MAR 56 (TEST)

7.	53-C-12430	EX	Clips, paper, wire, Ideal pattern, medium					40			
8.	53-C-15296	DOZ	Crayon, chalk, assorted					60			
9.	53-C-16800	EA	Crayon, lumbermans, 4½", blk					6			
10.	53-E-1764	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, 6½" x 9½"					75			
11.	53-E-1830	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, 8½" x 11½"					75			
12.	53-E-1836	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, 10" x 15"					12			
13.	53-E-2280	EA	Envelope, mailing, common type, side opening, Kraft, printed, gummed 6½" x 9½"					2000			
14.	53-E-2680	EA	Envelope, mailing, common type, side opening, Kraft, printed, gummed, 9½" x 11½"					125			

DA FORM 445-3 (TEST)

ARMY REQUISITION – CONTINUATION SHEET
DA FORM 445-1, 1 MAR 52 (TEST)

REQUISITION NO.

SHEET ___ SHEETS ___ OF

7.	53-C-12450	BX	Clips, paper, wire, Ideal pattern, medium								
8.	53-C-15295	DOZ	Crayon, chalk, assorted								
9.	53-C-15500	EA	Crayon, lumbermans, 4½", blk								
10.	53-E-1764	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, 6½" x 9½"								
11.	53-E-1820	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, 9½" x 11½"								
12.	53-E-1836	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, 10" x 15"								
13.	53-E-2288	EA	Envelope, mailing, common type, side opening, Kraft, printed, gummed 6½" x 9½"								
14.	53-E-2480	EA	Envelope, mailing, common type, side opening, Kraft, printed, gummed, 9½" x 11½"								

	REQUISITION NO.	REQUISITIONED	QUANTITY	ACTION	VOUCHER NO.
7.	05-010-4356-52	40			
8.	05-010-4356-52	60			
9.	05-010-4356-52	6			
10.	05-010-4356-52	78			
11.	05-010-4356-52	78			
12.	05-010-4356-52	13			
13.	05-010-4356-52	2500			
14.	05-010-4356-52	125			

CONSIGNEE: Quartermaster, Camp Carson, Camp Carson, Colorado

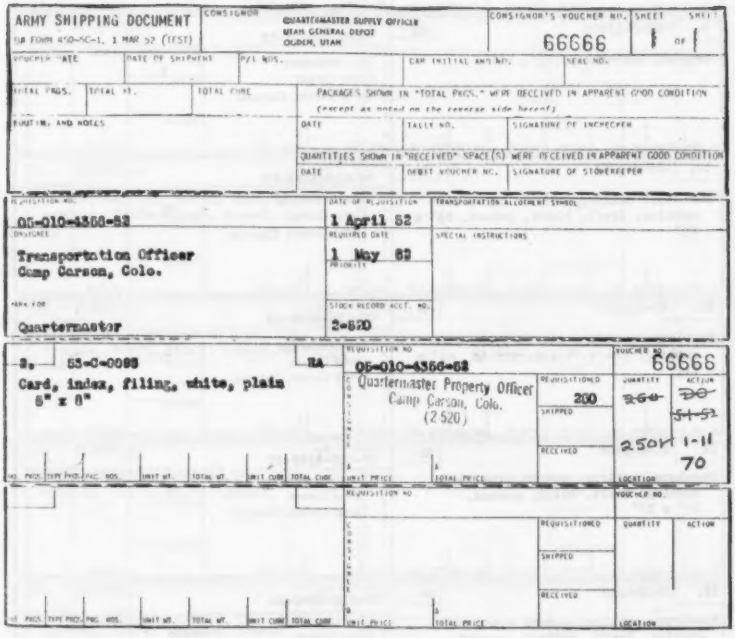
SHIPPED

RECEIVED

UNIT PRICE $ TOTAL PRICE $

LOCATION

DA FORM 445-1 (TEST)



ARMY SHIPPING DOCUMENT
(AR FORM 450-5C-1, 1 MAR 52 (TEST))

CONSIGNOR: QUARTERMASTER SUPPLY OFFICER, UTAH GENERAL DEPOT, OGDEN, UTAH

CONSIGNOR'S VOUCHER NO.: 66666

SHEET 1 OF 1

VOUCHER DATE | DATE OF SHIPMENT | P/L NOS. | CAR INITIAL AND NO. | SEAL NO.

TOTAL PKGS. | TOTAL WT. | TOTAL CUBE | PACKAGES SHOWN IN "TOTAL PKGS." WERE RECEIVED IN APPARENT GOOD CONDITION (except as noted on the reverse side hereof)

MARKING AND NOTES | DATE | TALLY NO. | SIGNATURE OF INCHECKER

QUANTITIES SHOWN IN "RECEIVED" SPACE(S) WERE RECEIVED IN APPARENT GOOD CONDITION

DATE | DEBIT VOUCHER NO. | SIGNATURE OF STOREKEEPER

REQUISITION NO.: 05-010-4366-62

DATE OF REQUISITION: 1 April 52

TRANSPORTATION ALLOTMENT SYMBOL:

CONSIGNEE: Transportation Officer
Camp Carson, Colo.

REQUIRED DATE: 1 May 52

SPECIAL INSTRUCTIONS:

PRIORITY:

MARK FOR: Quartermaster

STOCK RECORD ACCT. NO.: 2-520

2. 53-C-0088 EA

Card, index, filing, white, plain
5" x 8"

REQUISITION NO.: 05-010-4366-62

VOUCHER NO.: 66666

CONSIGNEE: Quartermaster Property Officer
Camp Carson, Colo.
(2520)

REQUISITIONED: 200

SHIPPED:

RECEIVED:

QUANTITY: ~~250~~ ~~50~~ 250 ~~54-52~~ 1-11 70

ACTION:

NO. PKGS. | TYPE PKG. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE | UNIT PRICE | TOTAL PRICE | LOCATION

REQUISITION NO.: VOUCHER NO.:

REQUISITIONED | QUANTITY | ACTION

SHIPPED

RECEIVED

NO. PKGS. | TYPE PKG. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE | UNIT PRICE | TOTAL PRICE | LOCATION

ARMY SHIPPING DOCUMENT
DA FORM 450-5C-1, 1 MAR 52 (TEST)

CONSIGNOR

CONSIGNOR'S VOUCHER NO.: 66666 | SHEET: 1 | SHEET: 1 of 1

VOUCHER DATE: 6/2/52 | DATE OF SHIPMENT | B/L NOS. | CAR INITIAL AND NO. | SEAL NO.

TOTAL PKGS. | TOTAL WT. | TOTAL CUBE

PACKAGES SHOWN IN "TOTAL PKGS." WERE RECEIVED IN APPARENT GOOD CONDITION (except as noted on the reverse side hereof)

ROUTING AND NOTES

DATE | TALLY NO. | SIGNATURE OF INCHECKER

QUANTITIES SHOWN IN "RECEIVED" SPACE(S) WERE RECEIVED IN APPARENT GOOD CONDITION

DATE | DEBIT VOUCHER NO. | SIGNATURE OF STOREKEEPER

REQUISITION NO.: 05-010-4356-52
DATE OF REQUISITION: 1 April 52
TRANSPORTATION ALLOTMENT SYMBOL

CONSIGNEE: Transportation Officer
Camp Carson, Colo.
REQUIRED DATE: 1 May 52
PRIORITY
SPECIAL INSTRUCTIONS

MARK FOR: Quartermaster
STOCK RECORD ACCT. NO.: 2-520

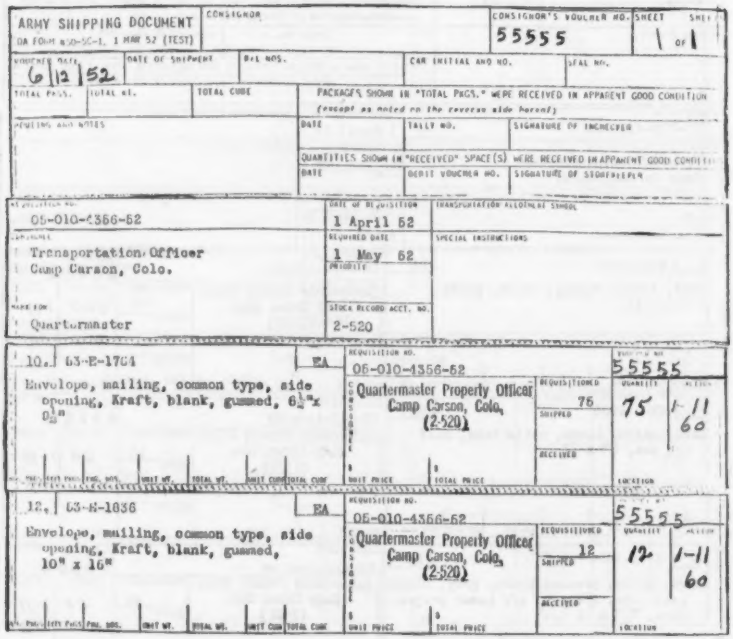
NO. PKGS.	STK NO.	DESCRIPTION	U/I	REQUISITIONED	SHIPPED	RECEIVED	QUANTITY	ACTION
1	53-C-9091	Card, index, filing, white, plain 3 x 5 in	EA	500			500	I-11 23
3	53-C-4900	Card, guide, blank, plain tabs, buff 1/5 cut, 3" x 5"	EA	50			50	I-11 23
5	53-C-7894	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9 1/2" x 11 3/4"	EA	50			50	I-11 23

REQUISITION NO.: 05-010-4356-52
Quartermaster Property Officer
Camp Carson, Colo.
(2-520)

VOUCHER NO.: 66666

UNIT PRICE | TOTAL PRICE | LOCATION

25062—53——41



ARMY SHIPPING DOCUMENT
DA FORM 830-SC-1, 1 MAR 52 (TEST)

CONSIGNOR

CONSIGNOR'S VOUCHER NO. 55555

SHEET 1 OF 1

VOUCHER DATE 6 12 52

DATE OF SHIPMENT

B/L NOS.

CAR INITIAL AND NO.

SEAL NO.

TOTAL PKGS. | TOTAL WT. | TOTAL CUBE

PACKAGES SHOWN IN "TOTAL PKGS." WERE RECEIVED IN APPARENT GOOD CONDITION (except as noted on the reverse side hereof)

MARKING AND NOTES

DATE | TALLY NO. | SIGNATURE OF INCREASER

QUANTITIES SHOWN IN "RECEIVED" SPACE(S) WERE RECEIVED IN APPARENT GOOD CONDITION

DATE | DEBIT VOUCHER NO. | SIGNATURE OF STOREKEEPER

REQUISITION NO. 06-010-4356-52

DATE OF REQUISITION 1 April 52

TRANSPORTATION ALLOTMENT SYMBOL

APPROVED Transportation Officer Camp Carson, Colo.

REQUIRED DATE 1 May 52

SPECIAL INSTRUCTIONS

PRIORITY

MARK FOR Quartermaster

STOCK RECORD ACCT. NO. 2-520

10.	53-E-1764	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, $6\frac{1}{2}$" x $3\frac{5}{8}$"	REQUISITION NO. 06-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2520)	REQUISITIONED 75	SHIPPED	RECEIVED	55555 QUANTITY 75 LOCATION 1-11 60
12.	53-E-1836	EA	Envelope, mailing, common type, side opening, Kraft, blank, gummed, 10" x 16"	REQUISITION NO. 06-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2520)	REQUISITIONED 12	SHIPPED	RECEIVED	55555 QUANTITY 12 LOCATION 1-11 60

PURCHASE REQUEST AND COMMITMENT FORM
DA FORM 19-115, 1 MAR 52 (TEST)

REQUEST NO.

SHEET 1 SHEET 1 OF 1

FROM:

TO:
COMMANDING OFFICER
OAKLAND QM PROCUREMENT AGENCY
OAKLAND, CALIFORNIA

IT IS REQUESTED THAT THE SUPPLIES AND SERVICES ENUMERATED BELOW, OR IN ATTACHED LIST, BE PURCHASED BY (Note)

DATE | TYPED NAME AND GRADE OF SUPPLY OFFICER: DOROTHY GRAY, Major, QMC, Ass't to Chief, Stock Control Divn. | SIGNATURE

I CERTIFY THAT THE SUPPLIES AND SERVICES LISTED BELOW ARE PROPERLY CHARGEABLE TO THE FOLLOWING ALLOTMENTS, THE AVAILABLE BALANCES OF WHICH ARE SUFFICIENT TO COVER THE COST THEREOF, AND FUNDS HAVE BEEN COMMITTED.

APPROPRIATION SYMBOL	ALLOTMENT SERIAL	PROJ. AND OBJ.	STATION NO.	AMOUNT

DATE | TYPED NAME AND GRADE OF FISCAL OFFICER | SIGNATURE

SHIP TO:

REMARKS:

REQUISITION NO.: 05-010-4356-52
DATE OF REQUISITION: 1 April 52
TRANSPORTATION ALLOTMENT SYMBOL:
CONSIGNEE: Transportation Officer, Camp Carson, Colo.
REQUIRED DATE: 1 May 52
SPECIAL INSTRUCTIONS:
PRIORITY:
MARK FOR: Quartermaster
STOCK RECORD ACCT. NO.: 2-520

NO. PKGS.	TYPE PACK.	PKG. WT.	UNIT WT.	TOTAL WT.	UNIT CUBE	TOTAL CUBE
11	Bx					

53-P-8100-100
PAPER, Carbon 8½ x 10 Black

REQUISITION NO.: 05-010-4356-52
VOUCHER NO.:
CONSIGNEE: Quartermaster Property Officer, Camp Carson Colo. (2-520)
REQUISITIONED: 75
SHIPPED:
RECEIVED:
QUANTITY: 75
ACTION: ADD CAN 110
UNIT PRICE: $
TOTAL PRICE: $
LOCATION:

PURCHASE REQUEST AND COMMITMENT FORM
DA FORM 16-115, 1 MAR 52 (TEST)

REQUEST NO.

SHEET 1 OF 1 SHEETS

FROM: Fiscal Officer
Utah General Depot
Ogden, Utah

TO: See below

IT IS REQUESTED THAT THE SUPPLIES AND SERVICES ENUMERATED BELOW, OR IN ATTACHED LIST, BE PURCHASED BY (Date)

DATE | TYPED NAME AND GRADE OF SUPPLY OFFICER | SIGNATURE

I CERTIFY THAT THE SUPPLIES AND SERVICES LISTED BELOW ARE PROPERLY CHARGEABLE TO THE FOLLOWING ALLOTMENTS, THE AVAILABLE BALANCES OF WHICH ARE SUFFICIENT TO COVER THE COST THEREOF, AND FUNDS HAVE BEEN COMMITTED.

APPROPRIATION SYMBOL | ALLOTMENT SERIAL | PROJ. AND OBJ. | STATION NO. | AMOUNT

DATE | TYPED NAME AND GRADE OF FISCAL OFFICER | SIGNATURE

SHIP TO: See below

REMARKS

REQUISITION NO.: 05-010-4366-52
DATE OF REQUISITION: 1 April 52
TRANSPORTATION ALLOTMENT SYMBOL:
CONSIGNEE: Transportation Officer, Camp Carson, Colo.
REQUIRED DATE: 1 May 52
SPECIAL INSTRUCTIONS:
PRIORITY:
MARK FOR: Quartermaster
STOCK RECORD ACCT. NO.: 2-520

NO.	PUBLICATION NO.	PUBLICATION DATE	ITEM NO.	UNIT OF ISSUE	QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL PRICE
0.			52-C-16500	EA		Crayon, lumbermans, 4½", blk	.005	.030

REQUISITION NO.: 05-010-4366-52
COST CODE: Quartermaster Property Officer, Camp Carson Colo. (2-520)
REQUISITIONED: 6
SHIPPED:
RECEIVED:
VOUCHER NO.
QUANTITY: 6
ACTION: 57.
LOCATION

Items shown below have been authorized for local purchase and funds have been made available to the Fiscal Officer, your station, as follows:

A. By suballotment under project number _____
B. By Obligation Authority Advice No. _____
C. Items not considered a QM fund responsibility. _____

NOTICE OF NON-AVAILABILITY — DA FORM 849-7, 1 MAR 52 (TEST)

CONSIGNOR: Quartermaster Supply Officer, Utah General Depot, Ogden, Utah — DATE — SHEET 1 OF SHEETS 1

THE ITEMS FROM YOUR REQUISITION LISTED BELOW HAVE NOT BEEN SHIPPED IMMEDIATELY FOR REASONS INDICATED BY THE EDITING SYMBOL SHOWN UNDER THE "ACTION" COLUMN. YOU WILL BE ADVISED OF FURTHER SUPPLY ACTION WITH RESPECT TO THE ITEMS PLACED ON DUE OUT OR ON SHORTAGE REPORT.

REQUISITION NO.	DATE OF REQUISITION	TRANSPORTATION ALLOTMENT SYMBOL
05-010-4356-52	1 April 52	
CONSIGNEE	REQUIRED DATE	SPECIAL INSTRUCTIONS
Transportation Officer Camp Carson, Colo.	1 May 52	
	PRIORITY	
MARK FOR	STOCK RECORD ACCT. NO.	
Quartermaster	2-570	

DUE OUT ESTABLISHED — DA FORM 849-2, 1 MAR 52 (TEST)

CONSIGNOR: Quartermaster Supply Officer, Utah General Depot, Ogden, Utah — CONSIGNOR'S VOUCHER NO. — SHEET — SHEETS — OF

2. 53-C-0088	BA	REQUISITION NO. 05-010-4356-52	REQUISITIONED	QUANTITY	ACTION	VOUCHER NO.
Card, index, filing, white, plain 8" x 8"		Quartermaster Property Officer Camp Carson, Colo. (2-520)	200	250	DO	
			SHIPPED		1-11	
			RECEIVED		70	
NO. PKGS. / TYPE PKG. / PKG. NOS. / UNIT WT. / TOTAL WT. / UNIT CUBE / TOTAL CUBE		UNIT PRICE / TOTAL PRICE		LOCATION		

SHORTAGE REPORT — DA FORM 849-3, 1 MAR 52 (TEST)

FROM: Quartermaster Supply Officer, Utah General Depot, Ogden, Utah — TO: Office, Quartermaster General, Supply Division, Washington 25, D. C. — NUMBER — SHEET — SHEETS — OF

6. 53-C-7858	FA	REQUISITION NO. 05-010-4356-52	REQUISITIONED	QUANTITY	ACTION	VOUCHER NO.
Card guide, pressed-board, gray, blank, self-tabs, 1/3 cut, w/o lower projection, 9 1/2" x 14 7/8"		Quartermaster Property Officer Camp Carson, Colo. (2-520)	80	50	SR	
			SHIPPED			
			RECEIVED			
NO. PKGS. / TYPE PKG. / PKG. NOS. / UNIT WT. / TOTAL WT. / UNIT CUBE / TOTAL CUBE		UNIT PRICE / TOTAL PRICE		LOCATION		

NOTICE OF DISAPPROVAL — DA FORM 849-6, 1 MAR 52 (TEST)

FROM: Quartermaster Supply Officer, Utah General Depot, Ogden, Utah — TO: QM Property Officer, Camp Carson, Colo. — NUMBER — SHEET — SHEETS — OF

7. 53-C-12430	EK	REQUISITION NO. 05-010-4356-52	REQUISITIONED	QUANTITY	ACTION	VOUCHER NO.
Clips, paper, wire, Ideal pattern, medium		Quartermaster Property Officer, Camp Carson Colo. (2-520)	40	40	DH1	
			SHIPPED			
			RECEIVED			
NO. PKGS. / TYPE PKG. / PKG. NOS. / UNIT WT. / TOTAL WT. / UNIT CUBE / TOTAL CUBE		UNIT PRICE / TOTAL PRICE		LOCATION		

EXTRACT — DA FORM 849-4, 1 MAR 52 (TEST)

FROM: JMSO, Utah General Depot, Ogden, Utah — TO: QM Property Officer, Camp Carson, Colo. — NUMBER — SHEET — SHEETS — OF

8. 53-C-15295	DOZ	REQUISITION NO. 05-010-4356-52	REQUISITIONED	QUANTITY	ACTION	VOUCHER NO.
Crayon, chalk, assorted		Quartermaster Property Officer, Camp Carson Colo. (2-520)	60	60	SP C&A 4	
			SHIPPED			
			RECEIVED			
NO. PKGS. / TYPE PKG. / PKG. NOS. / UNIT WT. / TOTAL WT. / UNIT CUBE / TOTAL CUBE		UNIT PRICE / TOTAL PRICE		LOCATION		

NOTICE OF CANCELLATION
DA FORM 649-1, 1 MAR 52 (TEST)

CONSIGNOR: QUARTERMASTER SUPPLY OFFICER, UTAH GENERAL DEPOT, OGDEN, UTAH

CONSIGNOR'S VOUCHER NO.:

SHEET 1 SHEETS 1

REQUISITION NO.: 05-010-4356-52
DATE OF REQUISITION: 1 April 52
TRANSPORTATION ALLOTMENT SYMBOL:
CONSIGNEE: Transportation Officer, Camp Carson, Colo.
REQUIRED DATE: 1 May 52
SPECIAL INSTRUCTIONS:
PRIORITY:
MARK FOR: Quartermaster
STOCK RECORD ACCT. NO.: 2-520

4. 55-C-4008 DA
Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"

REQUISITION NO.: 05-010-4356-52
SHIP TO: Quartermaster Property Officer, Camp Carson, Colo. (2-520)
REQUISITIONED: 25
SHIPPED:
RECEIVED:
VOUCHER NO.:
QUANTITY: 25
ACTION: Can per AMG.
NO. PKGS. | TYPE PKG. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE
UNIT PRICE | TOTAL PRICE
LOCATION

EXTRACT
DA FORM 649-2, 1 MAR 52 (TEST)

FROM: QUARTERMASTER SUPPLY OFFICER, UTAH GENERAL DEPOT, OGDEN, UTAH

TO: QUARTERMASTER SUPPLY OFFICER, SAN ANTONIO GENERAL DEPOT, SAN ANTONIO, TEXAS

NUMBER:

SHEET 1 SHEETS 1

REQUISITION NO.: 05-010-4356-52
DATE OF REQUISITION: 1 April 52
TRANSPORTATION ALLOTMENT SYMBOL:
CONSIGNEE: Transportation Officer, Camp Carson, Colo.
REQUIRED DATE: 1 May 52
SPECIAL INSTRUCTIONS:
PRIORITY:
MARK FOR: Quartermaster
STOCK RECORD ACCT. NO.: 2-520

6. 55-C-7896 DA
Card guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7/8"

REQUISITION NO.: 05-010-4356-52
SHIP TO: Quartermaster Property Officer, Camp Carson, Colo. (2-520)
REQUISITIONED: 50
SHIPPED:
RECEIVED:
VOUCHER NO.:
QUANTITY: 50
ACTION: ~~SR~~ SA
NO. PKGS. | TYPE PKG. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE
UNIT PRICE | TOTAL PRICE
LOCATION

NOTICE OF DELAYED ITEMS
DA FORM 649, 1 MAR 52 (TEST)

CONSIGNOR: QUARTERMASTER SUPPLY OFFICER, UTAH GENERAL DEPOT, OGDEN, UTAH

CONSIGNOR'S VOUCHER NO.:

SHEET 1 SHEETS 1

REQUISITION NO.: 05-010-4356-52
DATE OF REQUISITION: 1 April 52
TRANSPORTATION ALLOTMENT SYMBOL:
CONSIGNEE: Transportation Officer, Camp Carson, Colo.
REQUIRED DATE: 1 May 52
SPECIAL INSTRUCTIONS:
PRIORITY:
MARK FOR: Quartermaster
STOCK RECORD ACCT. NO.: 2-520

8. 55-C-0093 DA
Card, index, filing, white, plain 5" x 8"

REQUISITION NO.: 05-010-4356-52
SHIP TO: Quartermaster Property Officer, Camp Carson, Colo. (2-520)
REQUISITIONED: 300
SHIPPED:
RECEIVED:
VOUCHER NO.:
QUANTITY: 250
ACTION: DO 51-52
NO. PKGS. | TYPE PKG. | PKG. NOS. | UNIT WT. | TOTAL WT. | UNIT CUBE | TOTAL CUBE
UNIT PRICE | TOTAL PRICE
LOCATION

ARMY SHIPPING DOCUMENT
DA FORM 850-5C-1, 1 MAR 52 (TEST)

CONSIGNOR

CONSIGNOR'S VOUCHER NO. 77777

SHEET 1 OF 1

VOUCHER DATE 6 11 52

DATE OF SHIPMENT

R/L NOS.

CAR, INITIAL AND NO.

SEAL NO.

TOTAL PKGS.

TOTAL WT.

TOTAB CODE

PACKAGES SHOWN IN "TOTAL PKGS." WERE RECEIVED IN APPARENT GOOD CONDITION (except as noted on the reverse side hereof)

MARKING AND NOTES

DATE

TALLY NO.

SIGNATURE OF INSPECTOR

QUANTITIES SHOWN IN "RECEIVED" SPACE(S) WERE RECEIVED IN APPARENT GOOD CONDITION

DATE

CREDIT VOUCHER NO.

SIGNATURE OF STOREKEEPER

REQUISITION NO. 06-010-4356-52

DATE OF REQUISITION 1 April 52

TRANSPORTATION ALLOTMENT SYMBOL

CONSIGNEE
Transportation Officer
Camp Carson, Colo.

REQUIRED DATE 1 May 52

PRIORITY

SPECIAL INSTRUCTIONS

MARK FOR
Quartermaster

STOCK RECORD ACCT. NO. 2-520

| | | |

Cir 68

CIRCULAR
No. 68

DEPARTMENT OF THE ARMY
WASHINGTON 25, D. C., *11 August 1952*

Effective until 11 August 1953 unless sooner rescinded or superseded

SIMPLIFIED SUPPLY SYSTEM TEST

1. The Assistant Chief of Staff, G–4 and the Comptroller of the Army, in collaboration with The Quartermaster General and The Adjutant General, have initiated a test at the Quartermaster Supply Section, Utah General Depot, Ogden, Utah to determine whether or not a "simplified supply system" can be developed which will—

a. Reduce present costs of processing and preparing a line item for shipment and at the same time speed up the flow of requisitions from the mailroom to the warehouse.

b. Provide all essential date for higher echelons while eliminating the great mass of trivia now being reported.

c. Effect substantial reduction in inventory valuation of secondary items by assigning "merchandising" responsibility to the depot commander while at the same time improving performance in the supply of those items.

2. To obtain full benefit of the "simplified supply system," a flexible line item requisition form which can be converted into a shipping document, a due-out record, a due-out release form, an extract form, a purchase request and commitment form, a purchase order, and an invitation to bid form has been developed and is being used in the test. As a result, all shipments of general supply items made by the QM supply officer, Utah General Depot, from stock located at the Utah Depot will be accompanied by the new test version of the Army shipping document (figs. 1 and 2).

3. Since the appropriate number of "domestic" and "oversea" copies of this modified version of the Army shipping document are forwarded in advance and with the cargo as prescribed by TM 38–705, installations receiving shipments accompanied by the test version Army shipping document will accept and process the documents as prescribed by TM 38–705. In addition, agencies receiving test versions of extracts, purchase request and commitment forms, purchase orders, or invitation to bid forms will accept and process the modified versions of such forms in accordance with current directives.

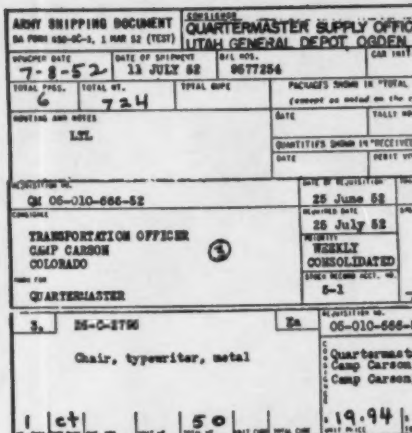
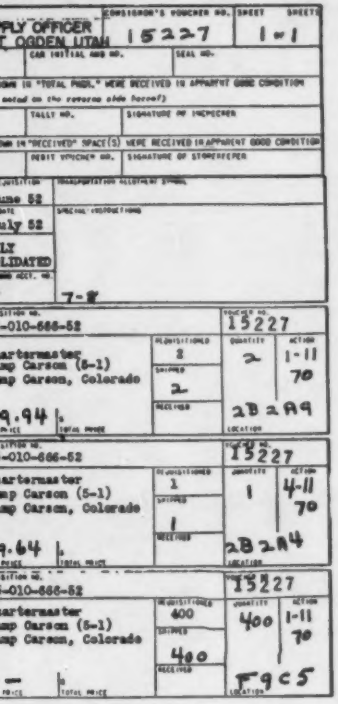


FIGURE 1.—Army Shipping Document



ocument (domestic shipment).

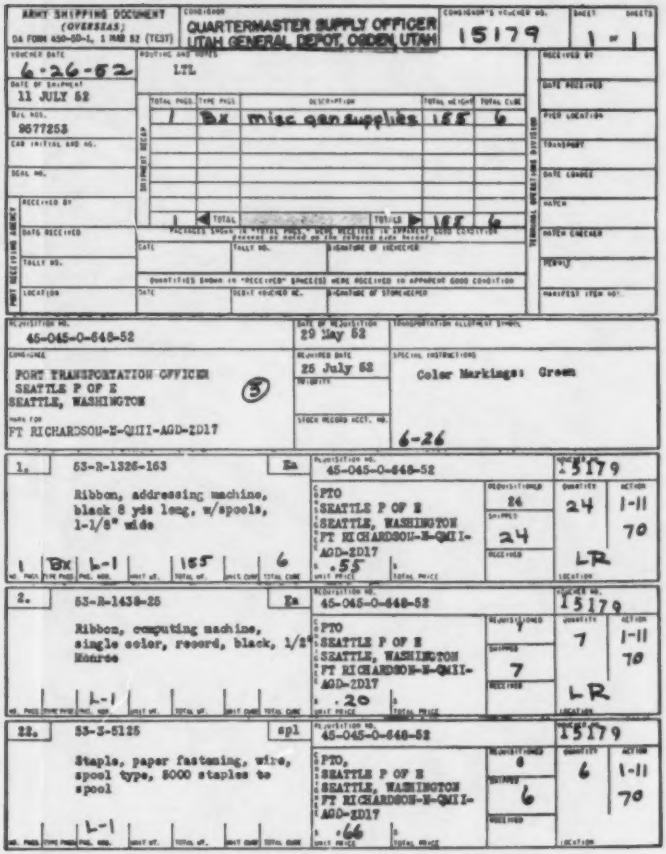


FIGURE 2.—Army Shipping Document (oversea shipment).

[AG 400.112 (25 Jul 52) G4]

BY ORDER OF THE SECRETARY OF THE ARMY:

J. LAWTON COLLINS
Chief of Staff, United States Army

OFFICIAL:
WM. E. BERGIN
Major General, USA
The Adjutant General

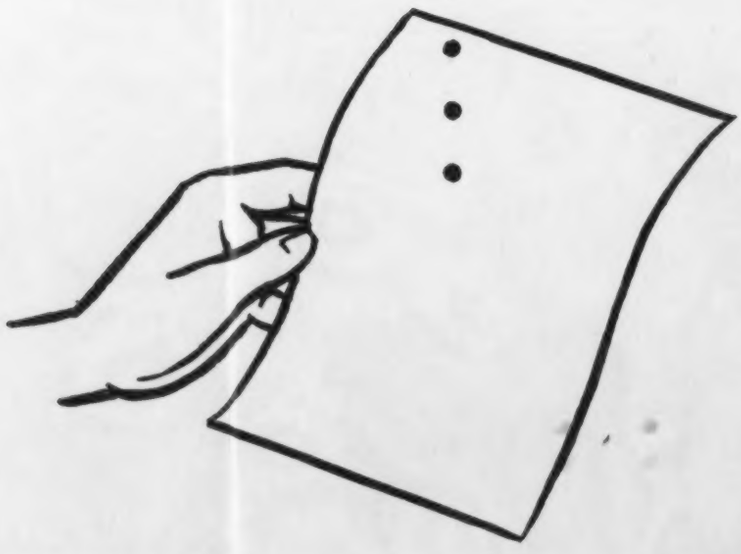
AGO 482B

DPS, Ogden, Utah

25062 O - 53 (Face p. 640) No. 1

SIMPLIFIED S

SUPPLY *before* statistics



SUPPLY SYSTEM TEST

FOREWORD

1. After conducting a comprehensive review of the Army reporting system in the supply and procurement fields, Mr. Harold L. Pearson, Deputy Assistant Secretary of the Army (R&M) included as one recommendation in his Revised Summary that the supply "working" reports be cleared of trivia by: (a) Establishing a "secondary item" classification of items (low-unit-value, commercially available, expendable items, items of infrequent issue, and all items on which stocks will meet contemplated needs for the next two or more years; (b) Assigning responsibility for stock replenishment for the items to depot commanders; (c) Applying to such items the simplest records; (d) Establishing policy prohibiting issue of uneconomically small quantities and making user procure locally.

2. To determine the feasibility of the recommendations, a test was instituted covering general supply type items requisitioned on the Quartermaster Supply Section of the Utah General Depot by the station property officers at the following installations: Depot Property Office, Utah General Depot, Ogden, Utah; Ogden Arsenal, Ogden, Utah; Depot Maintenance, Utah General Depot, Ogden, Utah; Defense Printing Plant, Ogden, Utah; Camp Carson, Colorado Springs, Colorado; Fitzsimmons General Hospital, Denver, Colorado; Deseret Chemical Corps Depot, Tooele, Utah; Rocky Mountain Arsenal, Denver, Colorado; Pueblo Ordnance Depot, Pueblo, Colorado; Tooele Ordnance Depot, Tooele, Utah; Dugway Proving Grounds, Tooele, Utah; Fort Douglas, Utah.

3. Since the specific objective of the test is to devise, install, develop experimentally, prove, and implement procedurally improved methods of distributing, accounting for, and reporting decentralized items, and to develop simplified and more expeditious means of processing requisitions, the test was scheduled to be conducted in three phases as follows: Phase I - Installation of the "flexible line item" requisition which is converted into a shipping document, and extract, a purchase request and commitment form, a due-out record, a due-out release, etc; Phase II - Conversion to manual operating records, with "after shipment" punched card reporting; Phase III - Application of decentralized control for secondary items.

4. Phase I of the test, or the simplified documentation of supply actions, was initiated 15 April 1952. All of the installations participating in the test have reported that the new type of documentation is a definite improvement over old procedures. Tests of various reproduction processes, including several just out of the research laboratories, are being continued to determine the most economical and efficient method for various document volumes and applications.

5. Phase II of the test, or the conversion to visible records at warehouse level, was completed approximately 1 June 1952. However, certain refinements of the records, particularly with respect to the establishment of proper stockage objectives, remain to be completed. The accuracy and timeliness of the records has been demonstrated by paralleling the manual records with punched cards. The further refinement of punched card reporting after the fact, or statistics after shipment, should be completed early in September.

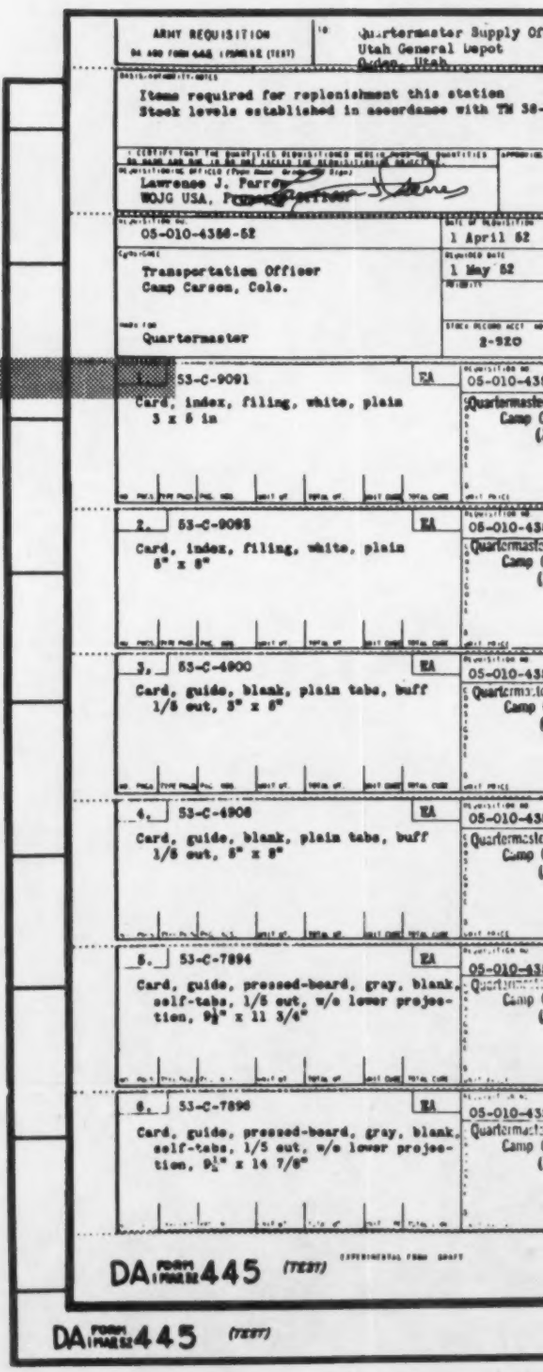
6. Phase III of the test, or the application of decentralized control to secondary items, including simplification of both accounting and reporting practices, had to await completion of Phases I and II in order that the merchandiser might be provided with the facilities to perform his mission. The use of open end contracts, shipment direct to the ultimate user, maintenance of minimum stocks of commercially available items, rapid disposition of excess stocks and other sound merchandising practices are now being planned for installation as rapidly as the operation can be geared to accommodate them.

25062 O - 53 (Face p. 640) No. 2

HIGHLIGHTS.....

1 FLEXIBLE LINE ITEM REQUISITION

....speeds flow of paper


ARMY REQUISITION

Quartermaster Supply Of
Utah General Depot
Ogden, Utah

Items required for replenishment this station
Stock levels established in accordance with TM 38-

Lawrence J. Parro
WOJG USA, Property Officer

05-010-4386-52

1 April 52

Transportation Officer
Camp Carson, Colo.

1 May 52

Quartermaster

2-9ZO

1. 53-C-9091 EA
Card, index, filing, white, plain 3 x 5 in

2. 53-C-9095 EA
Card, index, filing, white, plain 5" x 8"

3. 53-C-4900 EA
Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"

4. 53-C-4906 EA
Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"

5. 53-C-7894 EA
Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"

6. 53-C-7896 EA
Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7/8"

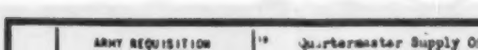
DA FORM 445 (TEST)

DA FORM 445 (TEST)

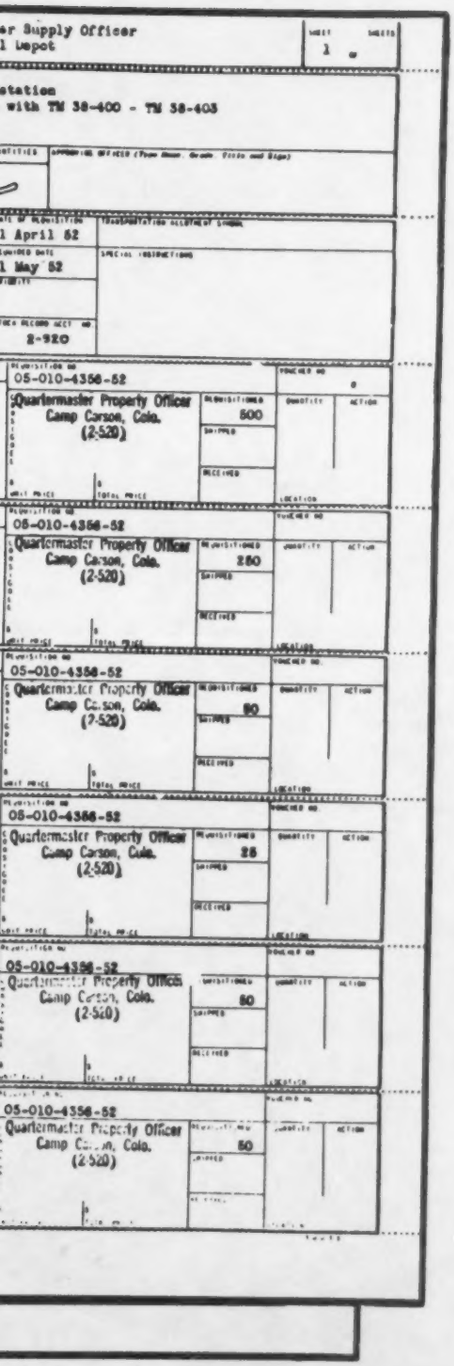
2 VISIBLE STOCK CONTROL AND LOCATION RECORD

...provides ALL Stock control data on a simple record form

3 CREATION OF REPORTING DATA



SIMPLIFIED SUPPLY SYSTEM TEST



DECENTRALIZATION OF PROCUREMENT, STORAGE and ISSUE

....of certain Low Dollar Value Secondary type items

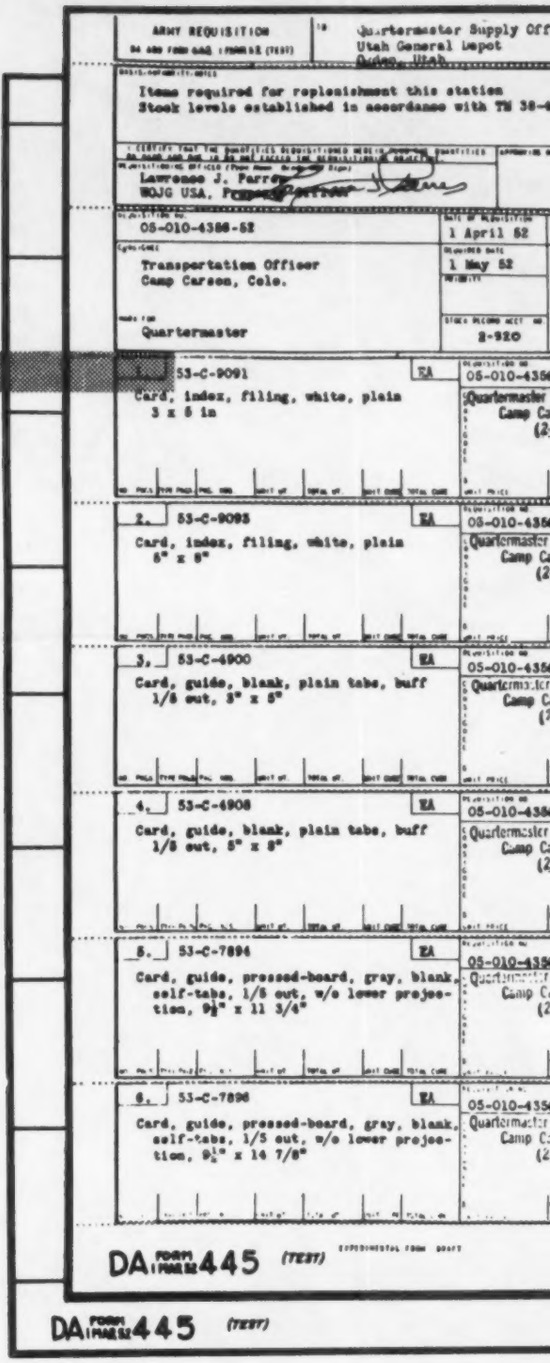
BETTER UTILIZATION OF PERSONNEL

....with resulting reduction in cost of operation

COMPLETE RESPONSIBILITY FOR MANAGEMENT

1 FLEXIBLE LINE ITEM REQUISITION

....speeds flow of paper


ARMY REQUISITION

Quartermaster Supply Off
Utah General Depot

Items required for replenishment this station
Stock levels established in accordance with TM 38-

Lawrence J. Parro
WOJG USA, P

05-010-4386-52

1 April 52

Transportation Officer
Camp Carson, Colo.

1 May 52

Quartermaster

2-920

1. 53-C-9091 EA
Card, index, filing, white, plain 3 x 5 in

2. 53-C-9093 EA
Card, index, filing, white, plain 5" x 8"

3. 53-C-4900 EA
Card, guide, blank, plain tabs, buff 1/5 cut, 3" x 5"

4. 53-C-4908 EA
Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"

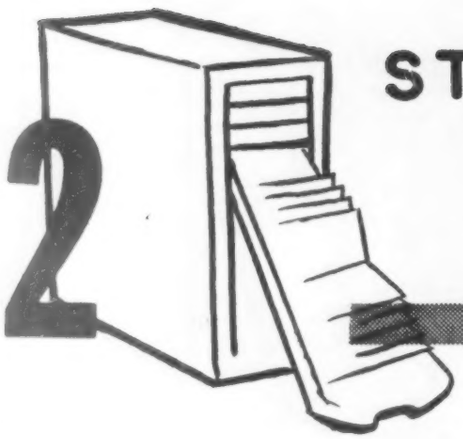
5. 53-C-7894 EA
Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"

6. 53-C-7896 EA
Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7/8"

DA FORM 445 (TEST)

DA FORM 445 (TEST)

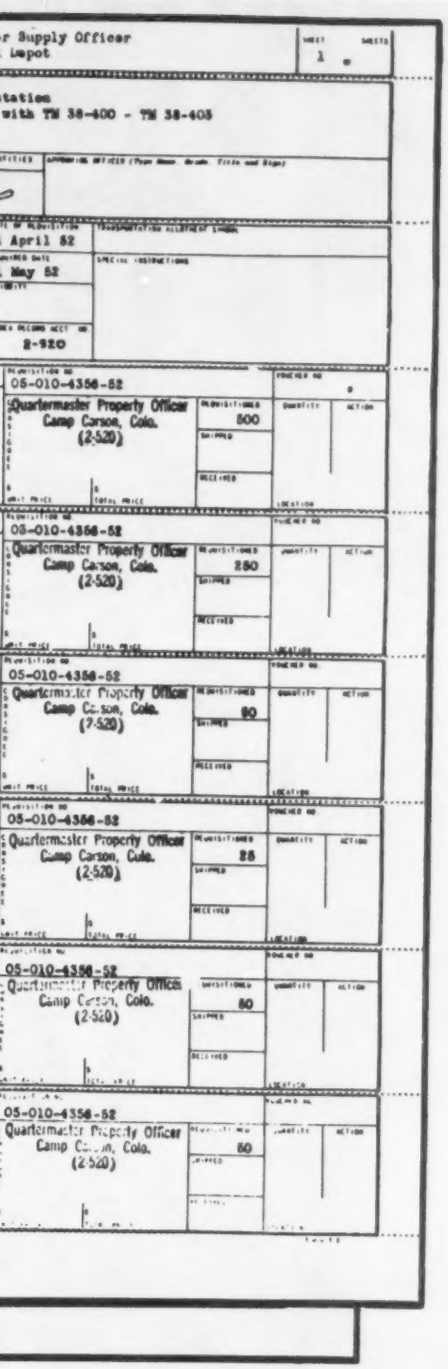
2 VISIBLE STOCK CONTROL AND LOCATION RECORD



...provides ALL Stock control data on a simple record form

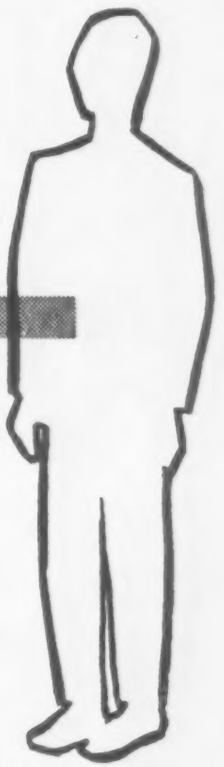
3 CREATION OF REPORTING DATA *AFTER* SHIPMENT

....reduces machine application to basic reporting.....



DECENTRALIZATION OF PROCUREMENT, STORAGE and ISSUE

.... of certain Low Dollar Value Secondary type items



BETTER UTILIZATION OF PERSONNEL

.... with resulting reduction in cost of operation

COMPLETE RESPONSIBILITY FOR MANAGEMENT

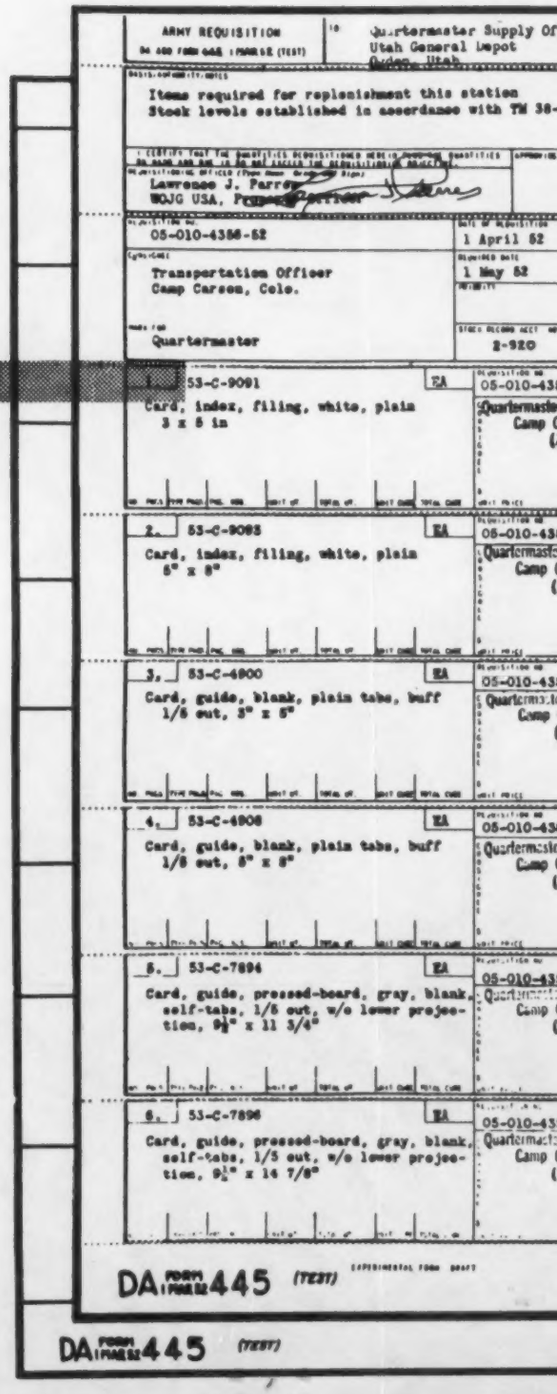
.... specifically assigned

25062 O - 53 (Face p. 640) No. 3

HIGHLIGHTS.....

1 FLEXIBLE LINE ITEM REQUISITION

....speeds flow of paper



ARMY REQUISITION (DA AGO FORM 445 1 FEB 52 EDITION (TEST))

10 Quartermaster Supply Officer, Utah General Depot, Ogden, Utah

Items required for replenishment this station
Stock levels established in accordance with TM 38-

I CERTIFY THAT THE QUANTITIES REQUISITIONED HEREIN DO NOT EXCEED QUANTITIES AUTHORIZED AND THAT I DO NOT ACCESS THE REQUISITIONING AGENCY.

Lawrence J. Parr
WOJG USA, Property Officer

05-010-4386-52	1 April 52
Transportation Officer Camp Carson, Colo.	1 May 52
Quartermaster	2-920

1.	53-C-9091	EA	05-010-43
	Card, index, filing, white, plain 3 x 5 in		Quartermaste Camp
2.	53-C-9093	EA	05-010-43
	Card, index, filing, white, plain 5" x 8"		Quartermaste Camp
3.	53-C-4900	EA	05-010-43
	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 5"		Quartermas Camp
4.	53-C-4908	EA	05-010-43
	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"		Quartermas Camp
5.	53-C-7894	EA	05-010-43
	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"		Quartermas Camp
6.	53-C-7896	EA	05-010-43
	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7/8"		Quartermas Camp

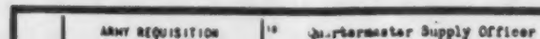
DA FORM 445 (TEST) EXPERIMENTAL FORM DRAFT

DA FORM 445 (TEST)

2 VISIBLE STOCK CONTROL AND LOCATION RECORD

...provides ALL Stock control data on a simple record form

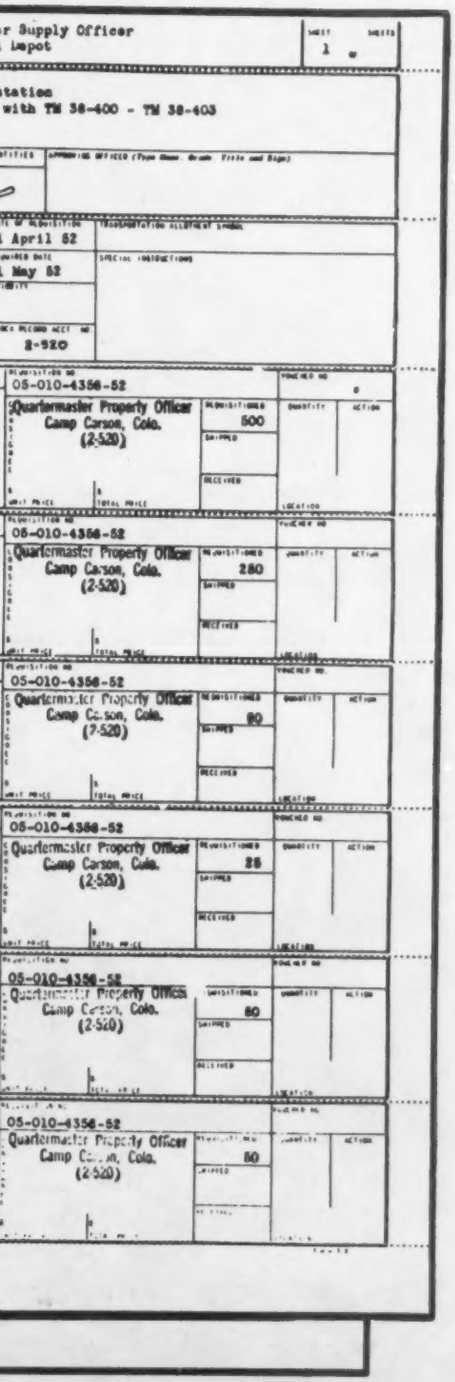
CREATION OF



ARMY REQUISITION (DA AGO FORM 445 1 FEB 52 EDITION (TEST))

10 Quartermaster Supply Officer

SIMPLIFIED SUPPLY SYSTEM TEST



DECENTRALIZATION OF PROCUREMENT, STORAGE and ISSUE

....of certain Low Dollar Value Secondary type items

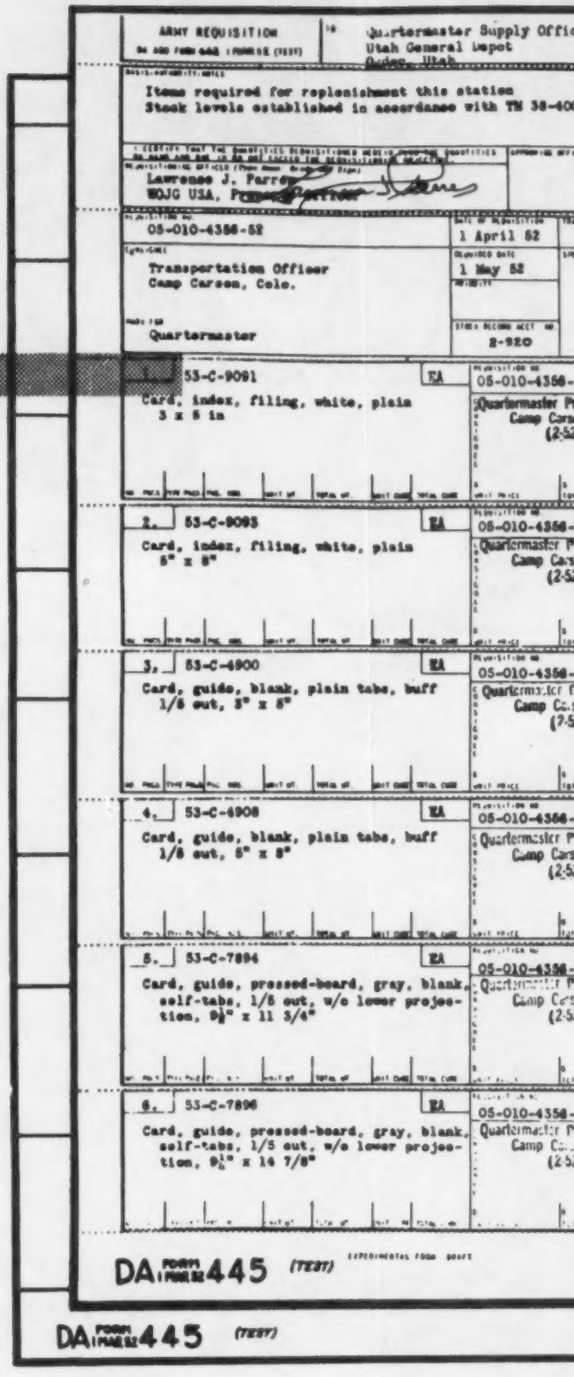
BETTER UTILIZATION OF PERSONNEL

....with resulting reduction in cost of operation

COMPLETE RESPONSIBILITY

1 FLEXIBLE LINE ITEM REQUISITION

....speeds flow of paper


ARMY REQUISITION

Quartermaster Supply Offic
Utah General Depot
Ogden, Utah

Items required for replenishment this station
Stock levels established in accordance with TM 38-40

Lawrence J. Farre
WOJG USA, Pe

05-010-4356-52

1 April 52

1 May 52

Transportation Officer
Camp Carson, Colo.

Quartermaster

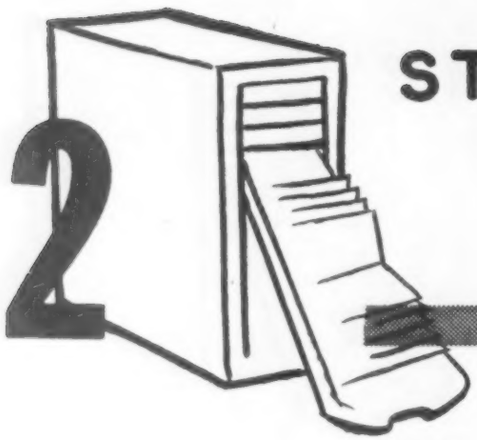
S-920

1.	53-C-9091	EA	Card, index, filing, white, plain 3 x 5 in
2.	53-C-9093	EA	Card, index, filing, white, plain 5" x 8"
3.	53-C-4900	EA	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"
4.	53-C-4908	EA	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"
5.	53-C-7894	EA	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"
6.	53-C-7896	EA	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7/8"

DA FORM 445 (TEST)

DA FORM 445 (TEST)

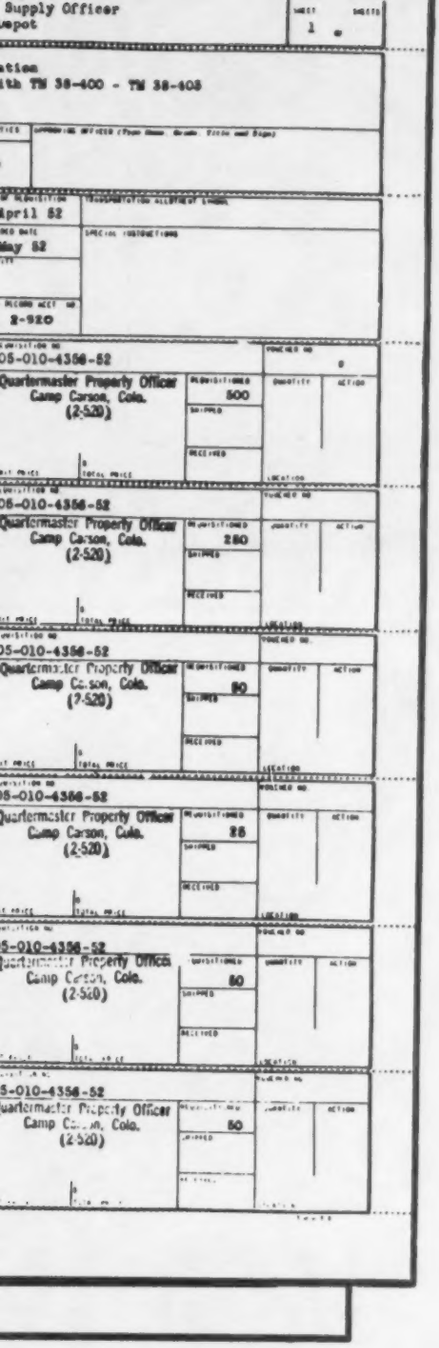
2 VISIBLE STOCK CONTROL AND LOCATION RECORD



...provides ALL Stock control data on a simple record form

3 CREATION OF REPORTING DATA *AFTER* SHIPMENT

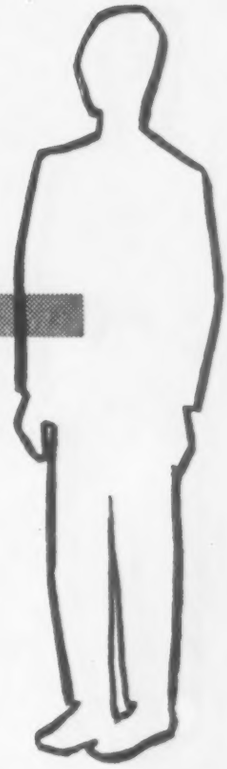
....reduces machine application to basic reporting.....



DECENTRALIZATION OF PROCUREMENT, STORAGE and ISSUE

.... of certain Low Dollar Value Secondary type items

BETTER UTILIZATION OF PERSONNEL



.... with resulting reduction in cost of operation

COMPLETE RESPONSIBILITY FOR MANAGEMENT

.... specifically assigned

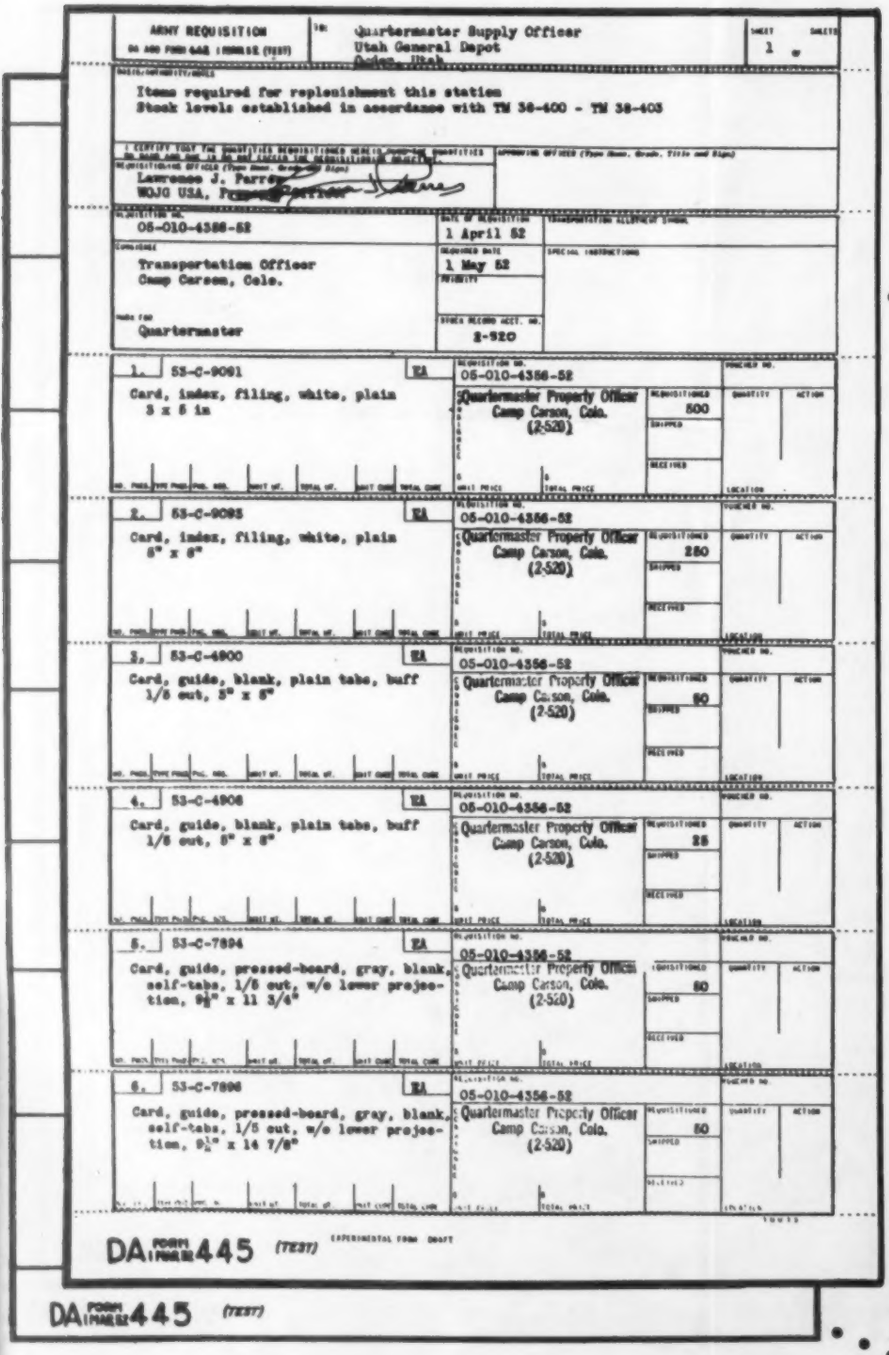
25062 O - 53 (Face p. 640) No. 3

FLEXIBLE LINE ITEM DOCUMENTATION....

NO RE-TRANSCRIPTION.... NO PROOFREA

Flexible Line Item Requisition is received in Test Unit directly from the Depot Mail Room.....Perforated document provides flexibility, non-perforate copy provides control.

VISIBLE CONTR
DOCUMENT PROCE


ARMY REQUISITION

To: Quartermaster Supply Officer
Utah General Depot
Ogden, Utah

Sheet 1 Sheets

Items required for replenishment this station
Stock levels established in accordance with TM 38-400 - TM 38-405

Requisitioning Officer (Type Name, Grade, Title and Sign)
Lawrence J. Ferre
WOJG USA, Property Officer

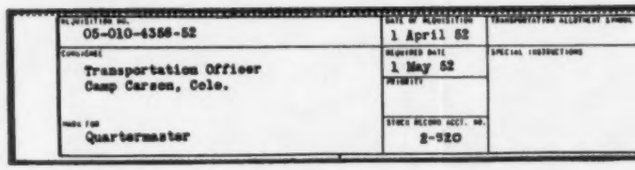
Approving Officer (Type Name, Grade, Title and Sign)

Requisition No. 05-010-4356-52
Date of Requisition 1 April 52
Consignee: Transportation Officer, Camp Carson, Colo.
Required Date 1 May 52
Priority
Mark for: Quartermaster
Stock Record Acct. No. 2-920
Special Instructions

1.	53-C-9091	EA	Card, index, filing, white, plain 3 x 5 in	Requisition No. 05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	Requisitioned 500
2.	53-C-9095	EA	Card, index, filing, white, plain 5" x 8"	Requisition No. 05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	Requisitioned 250
3.	53-C-4900	EA	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"	Requisition No. 05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	Requisitioned 80
4.	53-C-4906	EA	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"	Requisition No. 05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	Requisitioned 25
5.	53-C-7894	EA	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"	Requisition No. 05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	Requisitioned 80
6.	53-C-7896	EA	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7/8"	Requisition No. 05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	Requisitioned 80

DA FORM 445 (TEST) EXPERIMENTAL FORM DRAFT

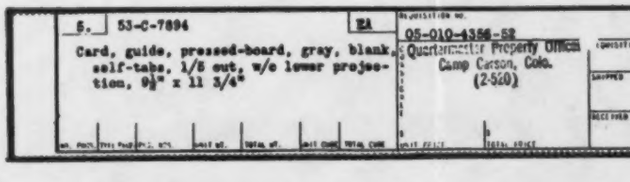
DA FORM 445 (TEST)


Requisition No. 05-010-4356-52
Date of Requisition 1 April 52
Consignee: Transportation Officer, Camp Carson, Colo.
Required Date 1 May 52
Priority
Mark for: Quartermaster
Stock Record Acct. No. 2-920
Special Instructions

CONSIGNEE IDENTIF

1. 53-C-9091 EA — Card, index, filing, white, plain 3 x 5 in — Requisition No. 05-010-4356-52 — Quartermaster Property Officer Camp Carson, Colo. (2-520)

3. 53-C-4900 EA — Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8" — Requisition No. 05-010-4356-52 — Quartermaster Property Officer Camp Carson, Colo. (2-520)


5. 53-C-7894 EA — Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4" — Requisition No. 05-010-4356-52 — Quartermaster Property Officer Camp Carson, Colo. (2-520)

TEAR-TOW

Flexible Line Item Requisition is received in Test Unit directly from the

SIMPLIFIED SUPPLY SYSTEM TEST

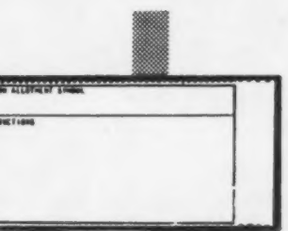
EADING

e

orated

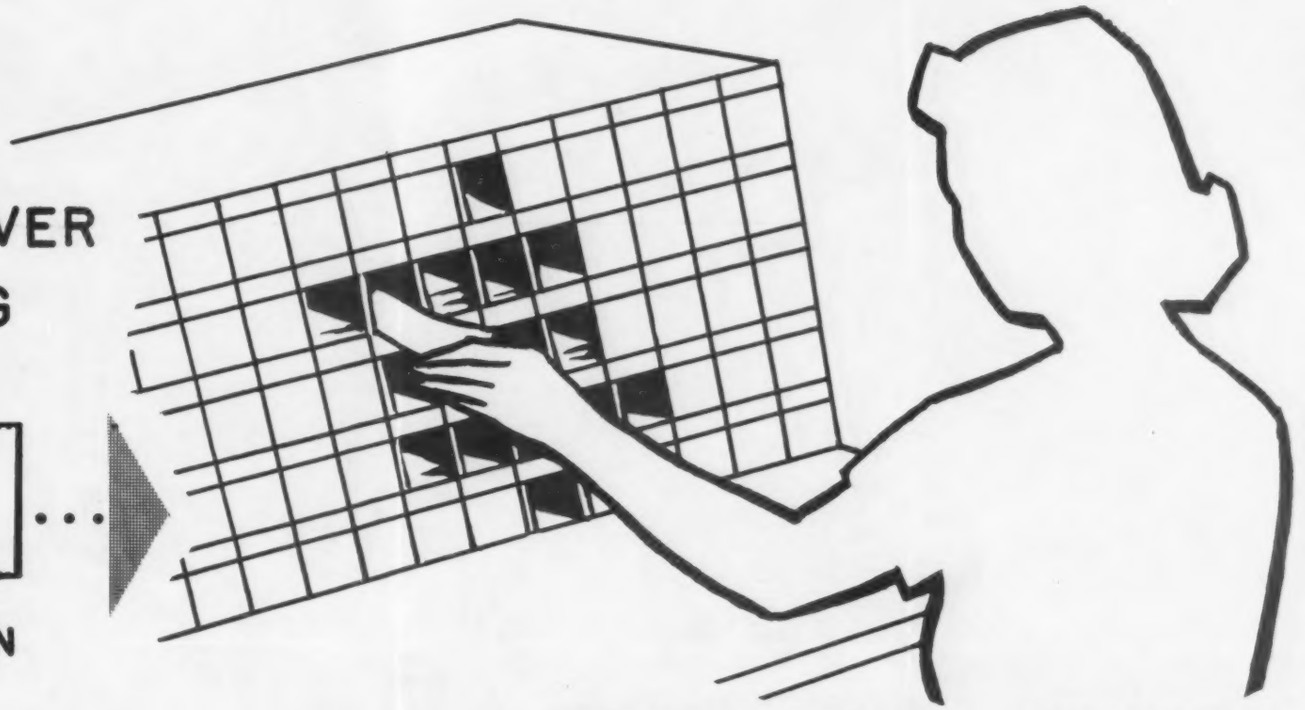
NTROL OVER

CESSING

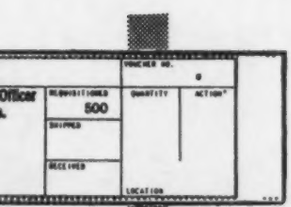


...

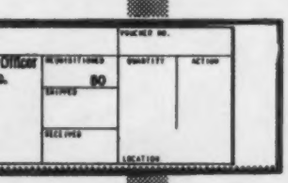
NTIFICATION



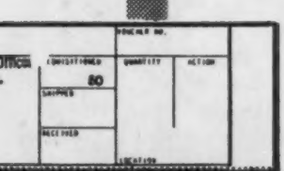
REQUISITION CONTROL AND DOCUMENT PANELING CLERK



...CLASS GROUP 1



...CLASS GROUP 2

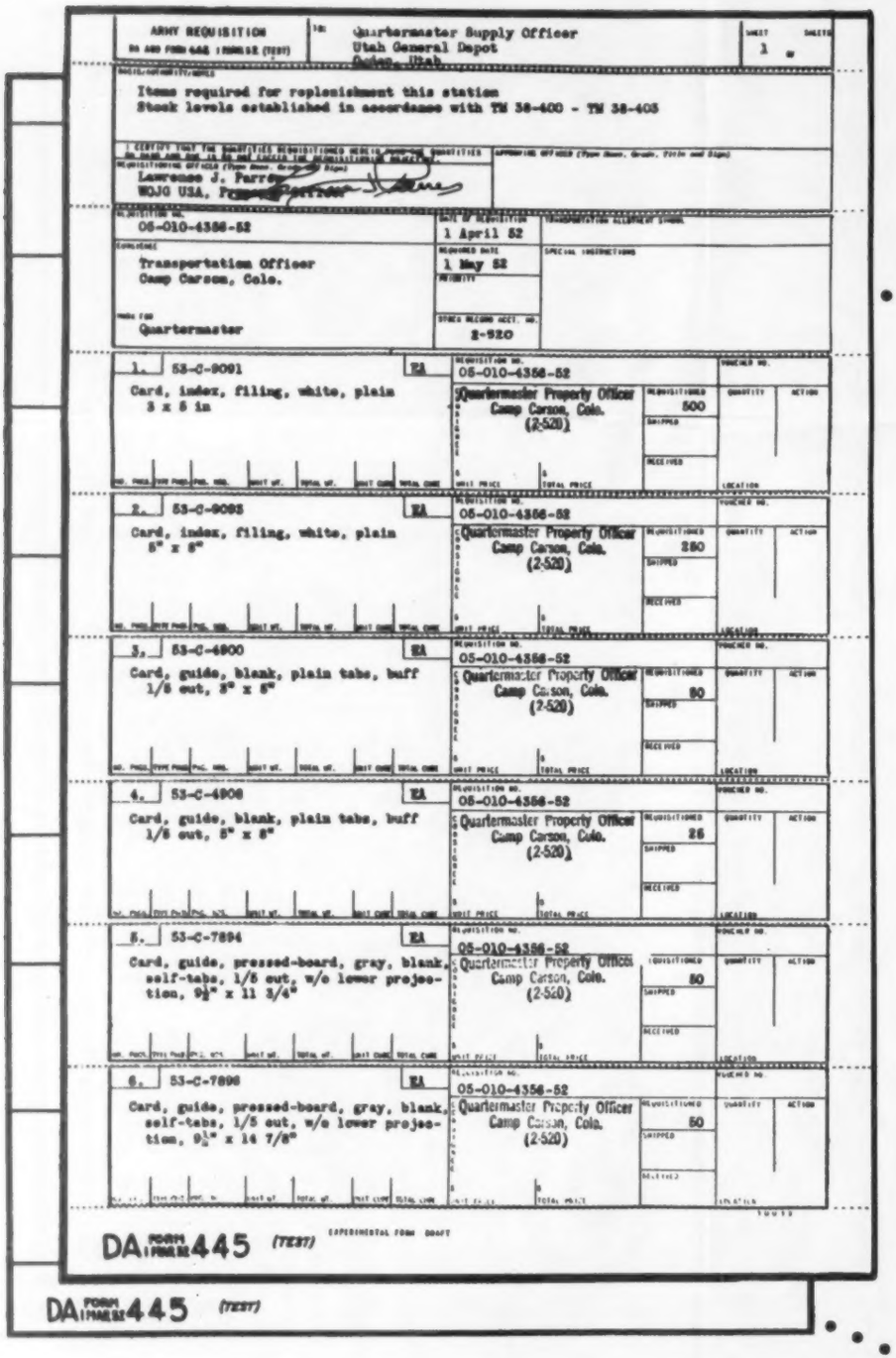


...CLASS GROUP 3

1. Assigns Credit Voucher
2. Establishes Line Item Control
3. Separates Strips by Class Groups
4. Distributes Strips to Stock Record Clerks
5. Maintains Follow Up on Strips

Flexible Line Item Requisition is received in Test Unit directly from the Depot Mail Room..... Perforated document provides flexibility, non-perforate copy provides control.

VISIBLE CONTR DOCUMENT PROCE



ARMY REQUISITION — To: Quartermaster Supply Officer, Utah General Depot, Ogden, Utah

Items required for replenishment this station
Stock levels established in accordance with TM 38-400 - TM 38-405

Requisitioning Officer: Lawrence J. Farrell, WOJG USA

05-010-4356-52 | 1 April 52 | 1 May 52 | 2-920

Consignee: Transportation Officer, Camp Carson, Colo.
Mark for: Quartermaster

1.	53-C-9091	Card, index, filing, white, plain 3 x 5 in	EA	Requisitioned 500
2.	53-C-9095	Card, index, filing, white, plain 5" x 8"	EA	Requisitioned 250
3.	53-C-4900	Card, guide, blank, plain tabs, buff 1/5 cut, 3" x 5"	EA	Requisitioned 80
4.	53-C-4908	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"	EA	Requisitioned 25
5.	53-C-7894	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"	EA	Requisitioned 80
6.	53-C-7898	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7/8"	EA	Requisitioned 50

Quartermaster Property Officer, Camp Carson, Colo. (2-520)

DA FORM 445 (TEST) EXPERIMENTAL FORM DRAFT

DA FORM 445 (TEST)

05-010-4356-52 | 1 April 52 | 1 May 52 | 2-920

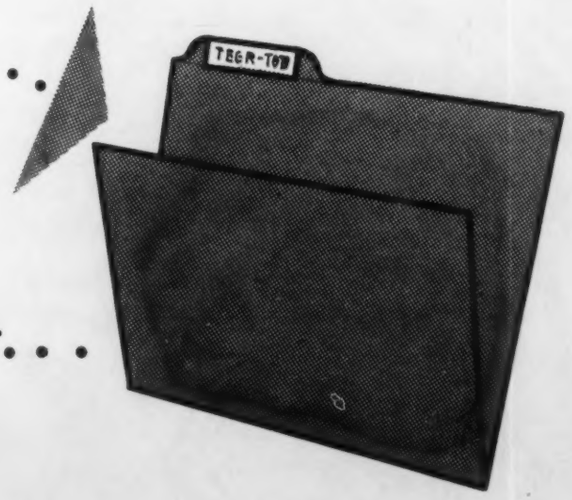
Transportation Officer, Camp Carson, Colo.
Quartermaster

CONSIGNEE IDENTI

1. 53-C-9091 EA — Card, index, filing, white, plain 3 x 5 in — 05-010-4356-52 — Quartermaster Property Officer, Camp Carson, Colo. (2-520)

3. 53-C-4900 EA — Card, guide, blank, plain tabs, buff 1/5 cut, 3" x 5" — 05-010-4356-52 — Quartermaster Property Officer, Camp Carson, Colo. (2-520)

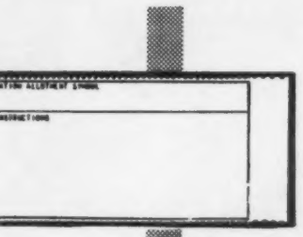
6. 53-C-7894 EA — Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4" — 05-010-4356-52 — Quartermaster Property Officer, Camp Carson, Colo. (2-520)



Non-perforated copy to Requisition folder. . .
(Accountable Record)

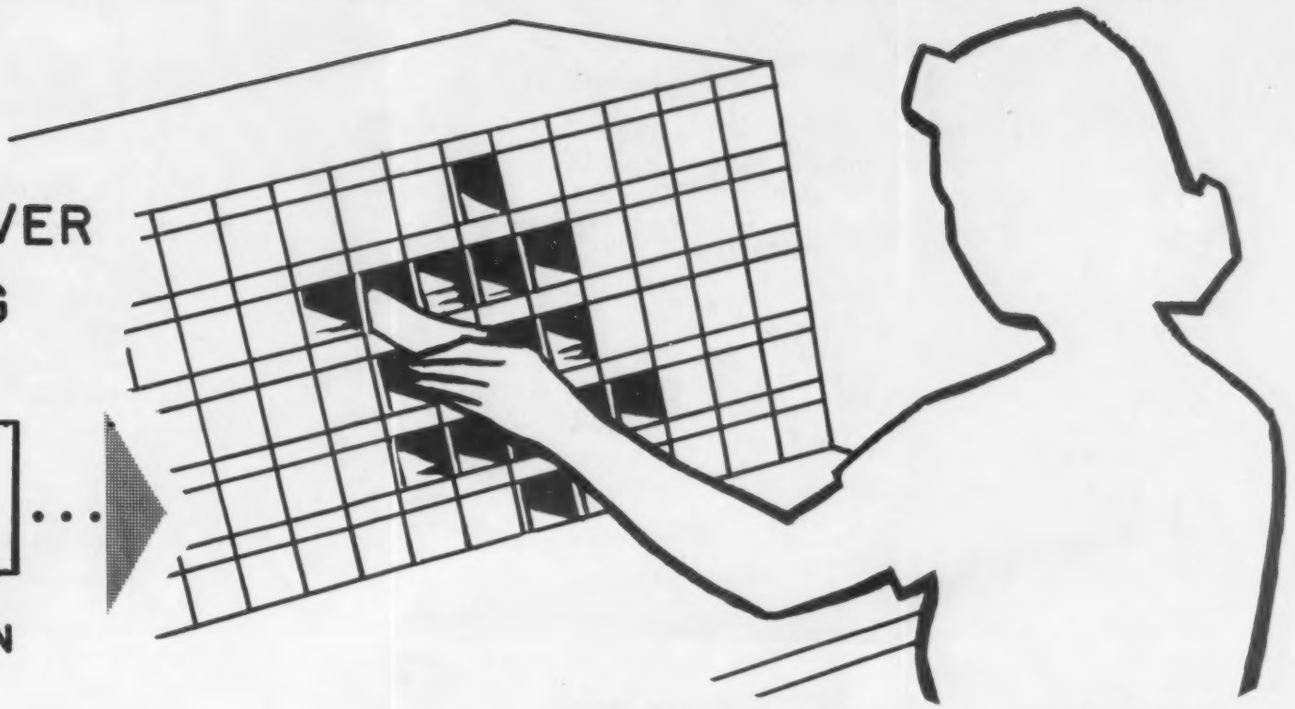
e
orated

NTROL OVER
OCESSING

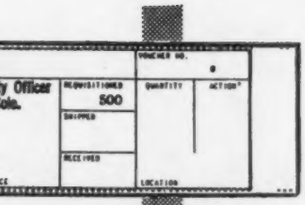


...

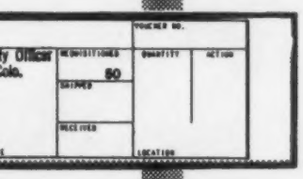
ENTIFICATION



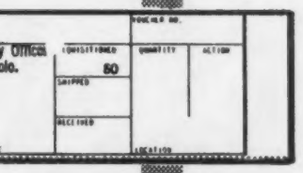
REQUISITION CONTROL AND DOCUMENT PANELING CLERK



...CLASS GROUP 1



...CLASS GROUP 2

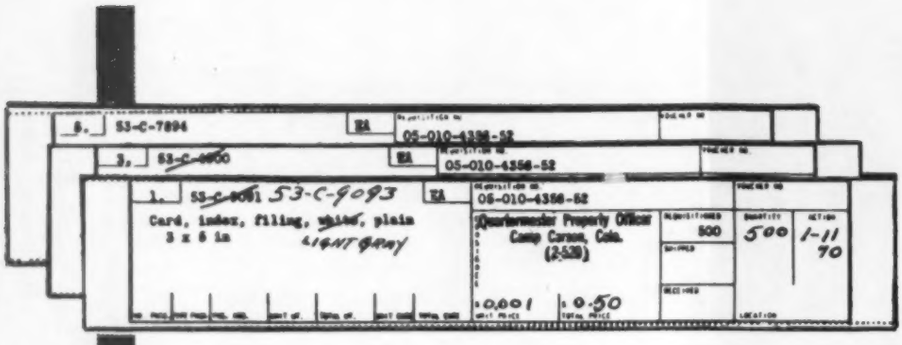


...CLASS GROUP 3

1. Assigns Credit Voucher
2. Establishes Line Item Control
3. Separates Strips by Class Groups
4. Distributes Strips to Stock Record Clerks
5. Maintains Follow Up on Strips

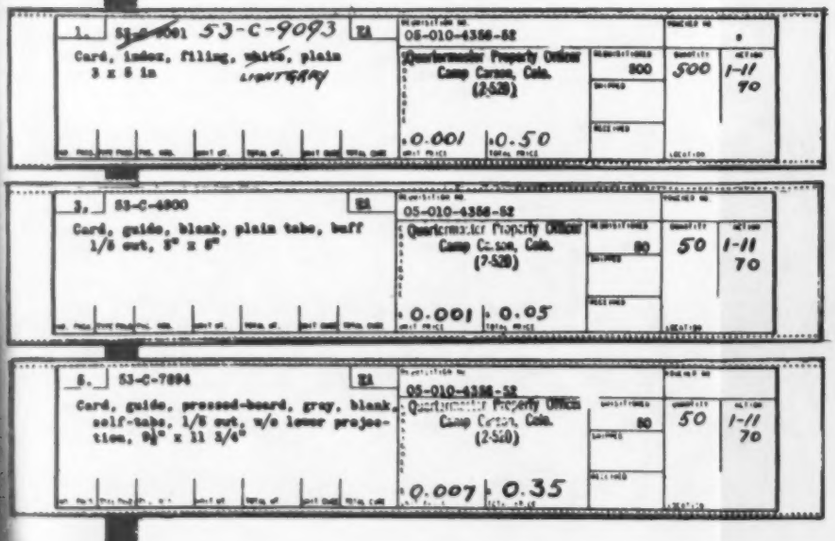
Perforated Line Item strips are separated by Class Group and distributed to Stock Record Clerks....

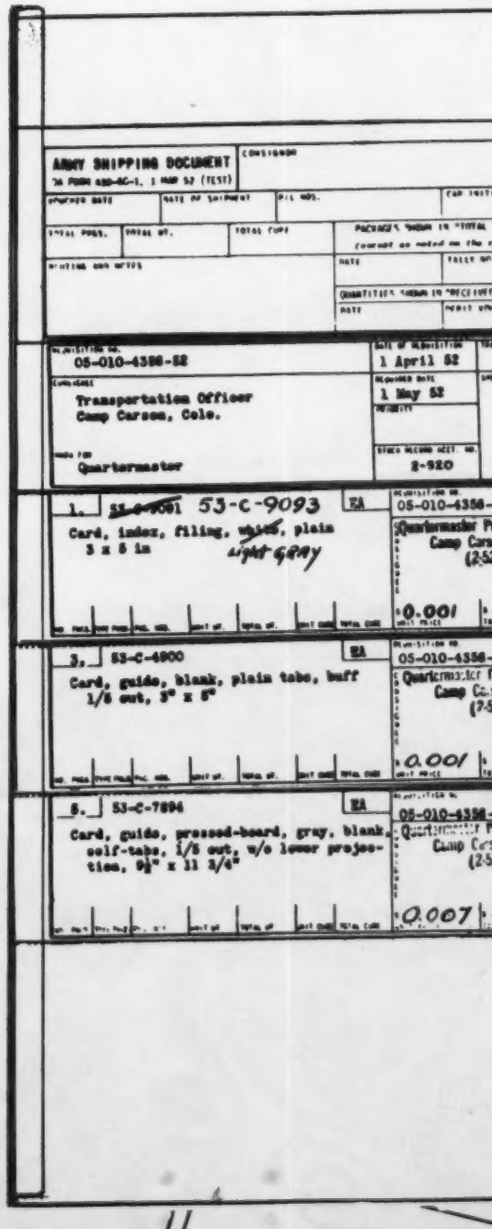
FLEXIBLE LINE ITEM DOCUMENTATION...



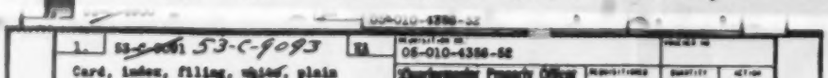
HEADER STUBS... ide
different types of Prim
Supply Action.... are t
file as are the Consign

PERFORATED STRIPS
provide rapid means of bringing
TOGETHER transactions of like
type





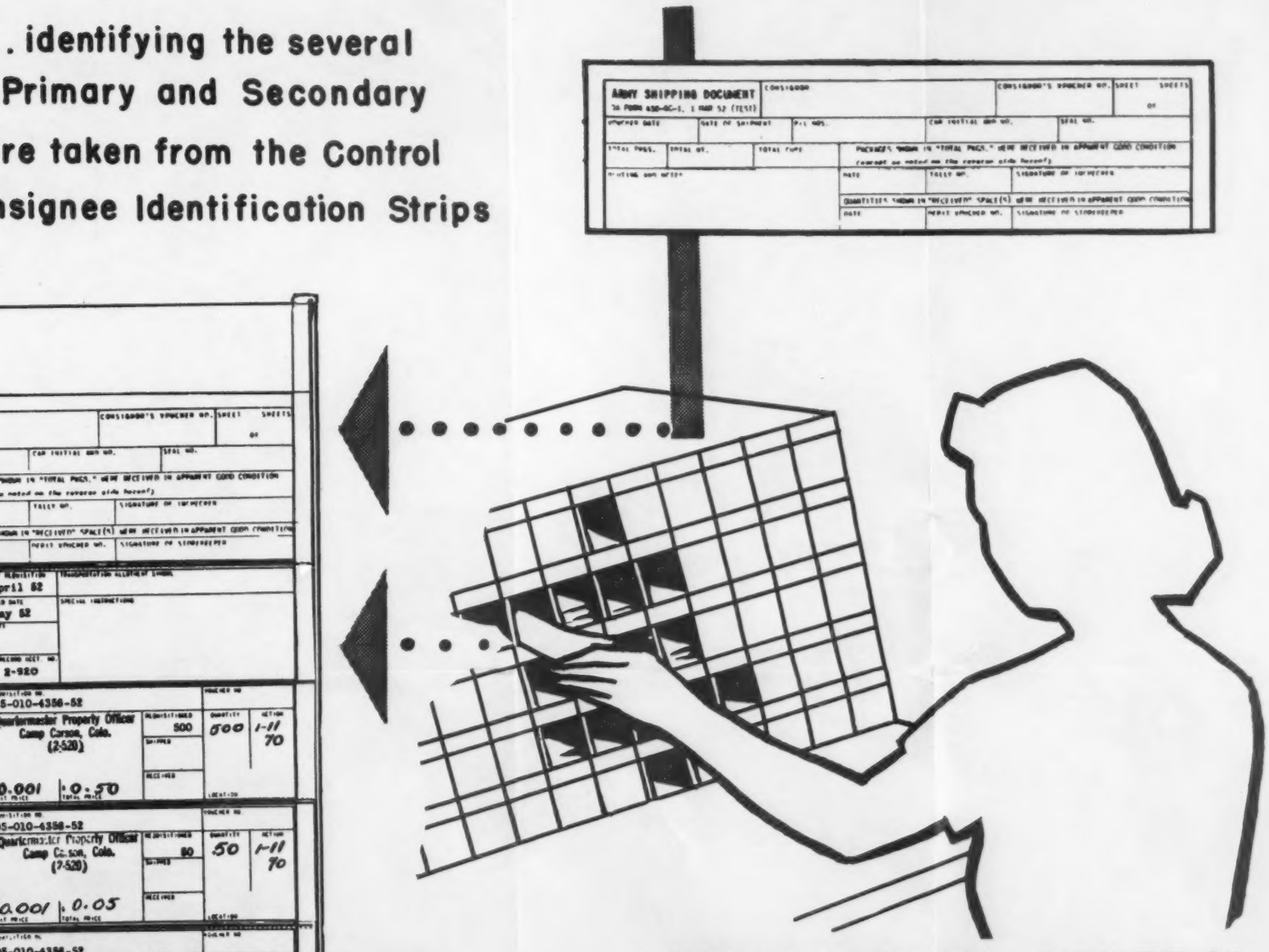
- Annotated Line Item Strips are received



Supply Action.... are ta

SIMPLIFIED SUPPLY SYSTEM TEST

. identifying the several
Primary and Secondary
re taken from the Control
signee Identification Strips



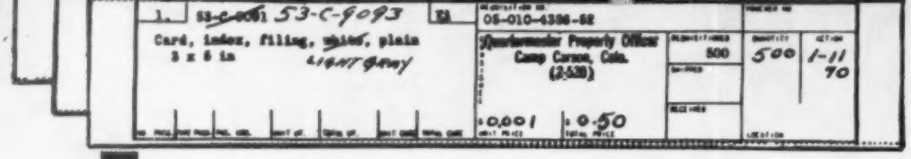
REQUISITION CONTROL AND DOCUMENT PANELING CLERK

ASSEMBLY PANEL

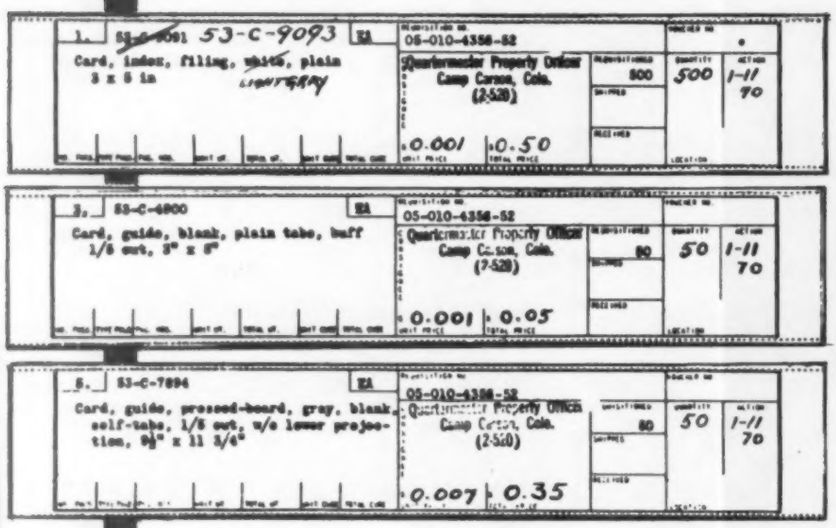
to TRANSPORTATION

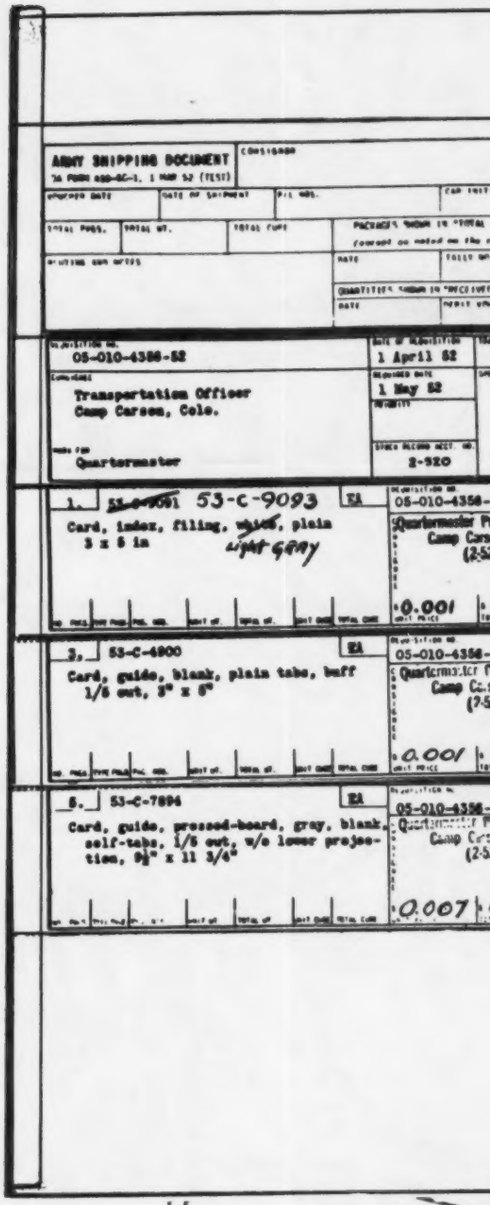
UNIT PLANNING

e taken from the Control



PERFORATED STRIPS provide rapid means of bringing TOGETHER transactions of like type





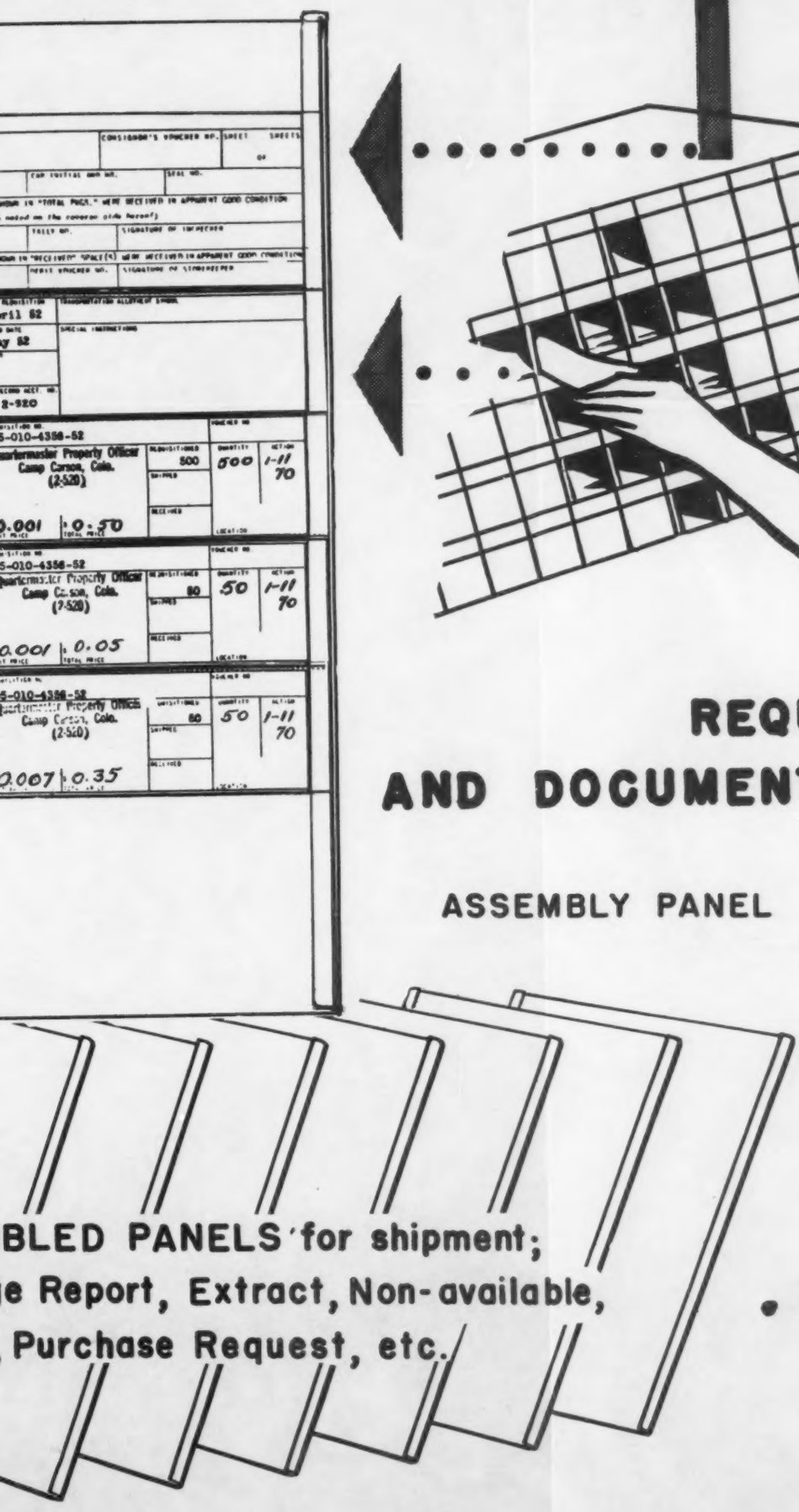
- Annotated Line Item Strips are received from Stock Record Clerks
- Controls are affirmed
- Strips are placed in panels according to type of action. . . . . .

Supply Action . . . . are t
file as are the Consign

ASSEMBLE
Shortage Re
Cancel, Pur

re taken from the Control

signee Identification Strips



REQUISITION CONTROL AND DOCUMENT PANELING CLERK

ASSEMBLY PANEL

to TRANSPORTATION

UNIT PLANNING

and REPRODUCTION

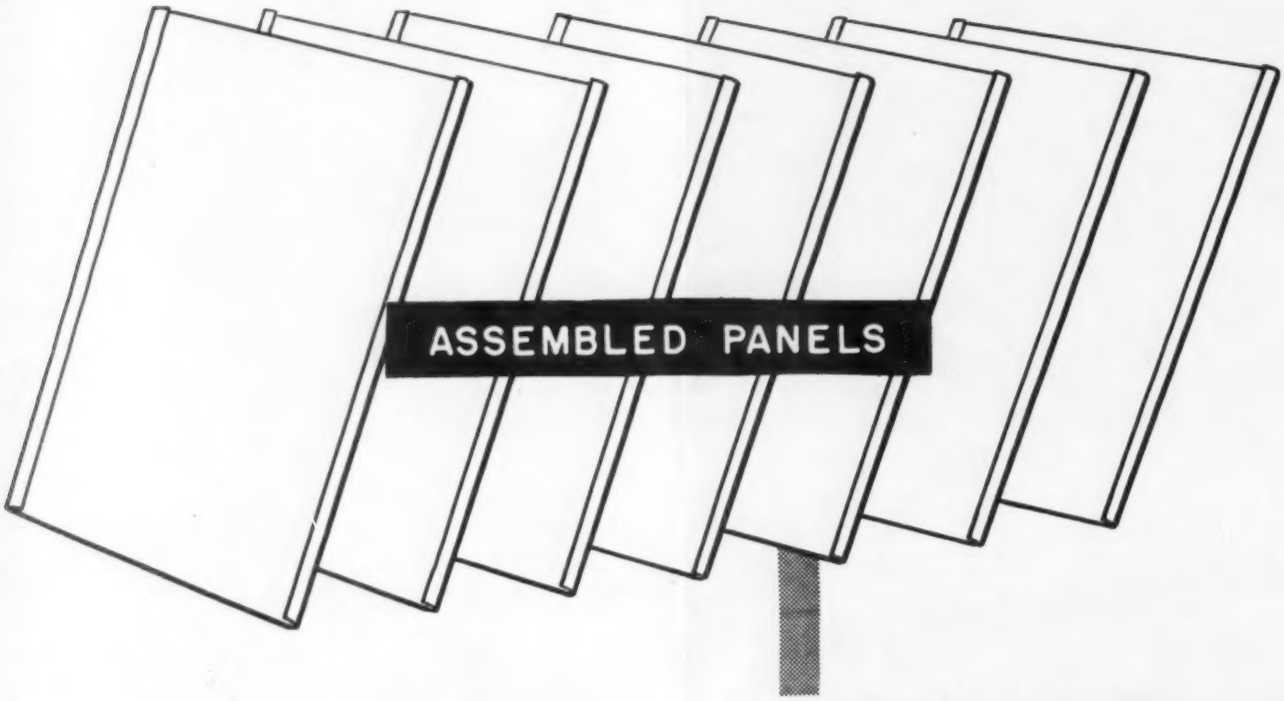
BLED PANELS for shipment;

e Report, Extract, Non-available,

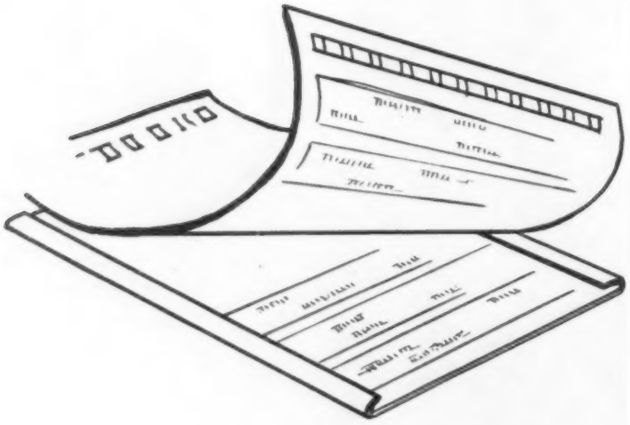
Purchase Request, etc.

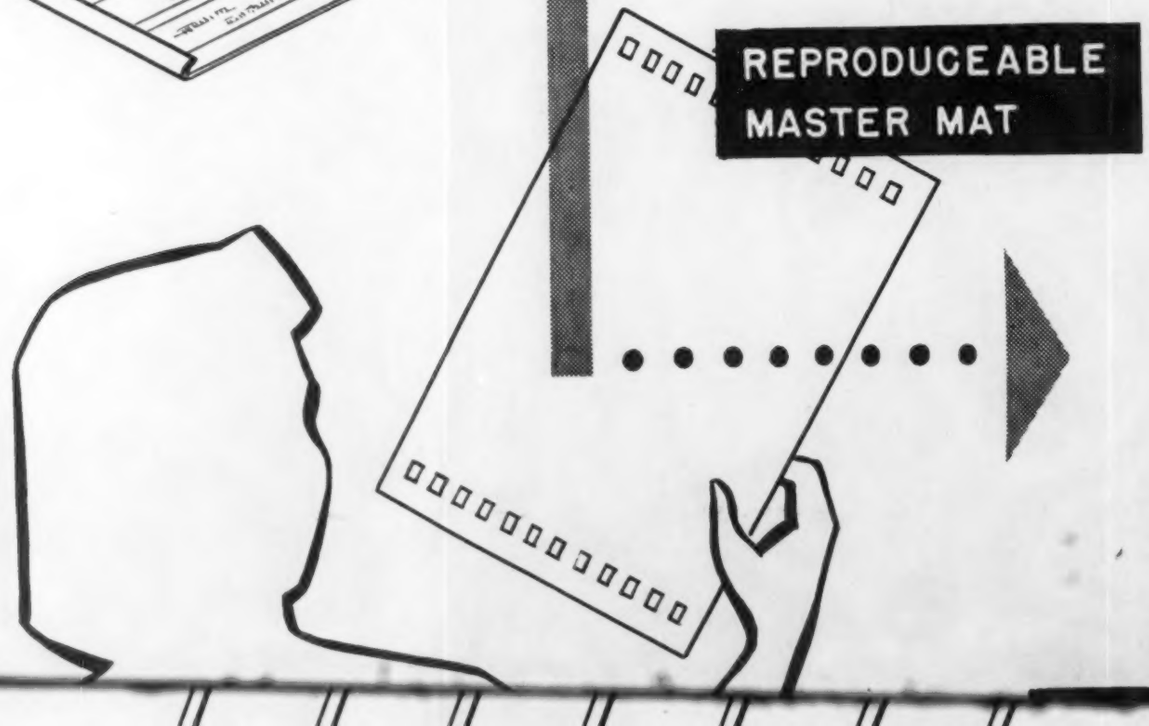
FLEXIBLE LINE ITEM DOCUMENTATION...

PR



DRY PHOTOGRAPHIC PROCESS
creates economical
PAPER OFFSET MASTERS
from the PANELS





SIMPLIFIED SUPPLY SYSTEM TEST

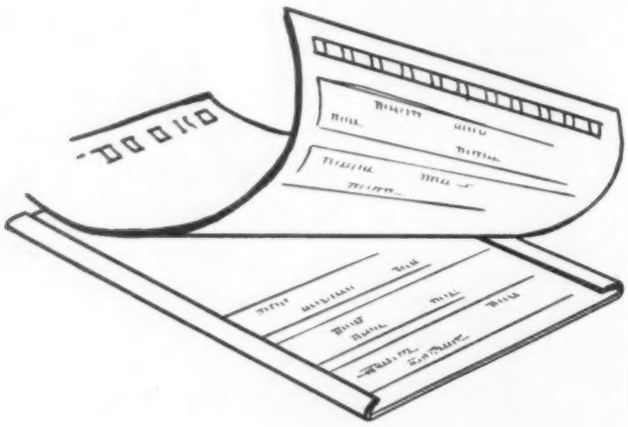
PRIMARY and SECONDARY documents created from ORIGINAL REQUISITION STRIPS

- IDENTIFICATION TAG
  (Pressure - sensitive adhesive back)
- ARMY SHIPPING DOCUMENT
  (Includes unit price for each item)
- PURCHASE REQUEST and COMMITMENT FORM
- DELAYED ITEMS REPORT
- CANCELATION NOTICE
- DUE'S OUT ESTABLISHED
- SHORTAGE REPORT
- EXTRACT REQUISITION
- REGULATED ITEM REQUEST

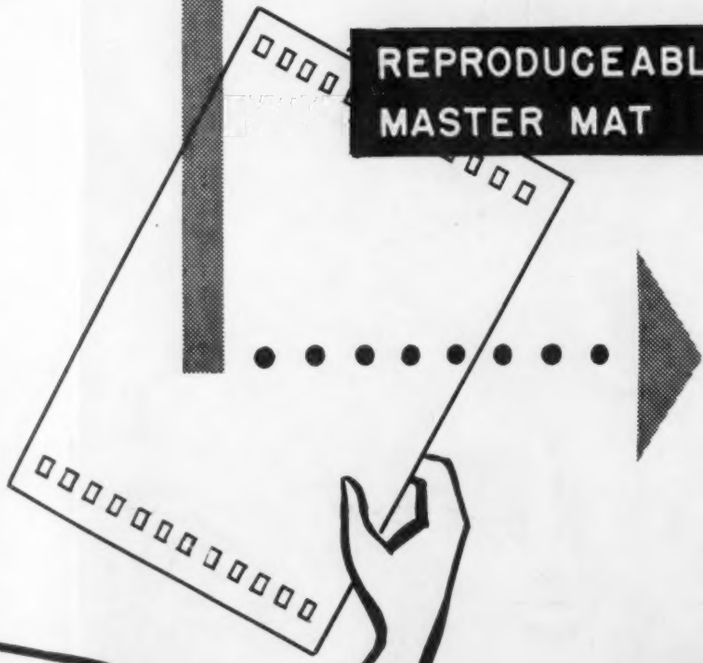
PR

ASSEMBLED PANELS

DRY PHOTOGRAPHIC PROCESS
creates economical
PAPER OFFSET MASTERS
from the PANELS



REPRODUCEABLE
MASTER MAT



MULTIPLE C
reproduced fr
on OFFSET

REPRODUCTION CLERK

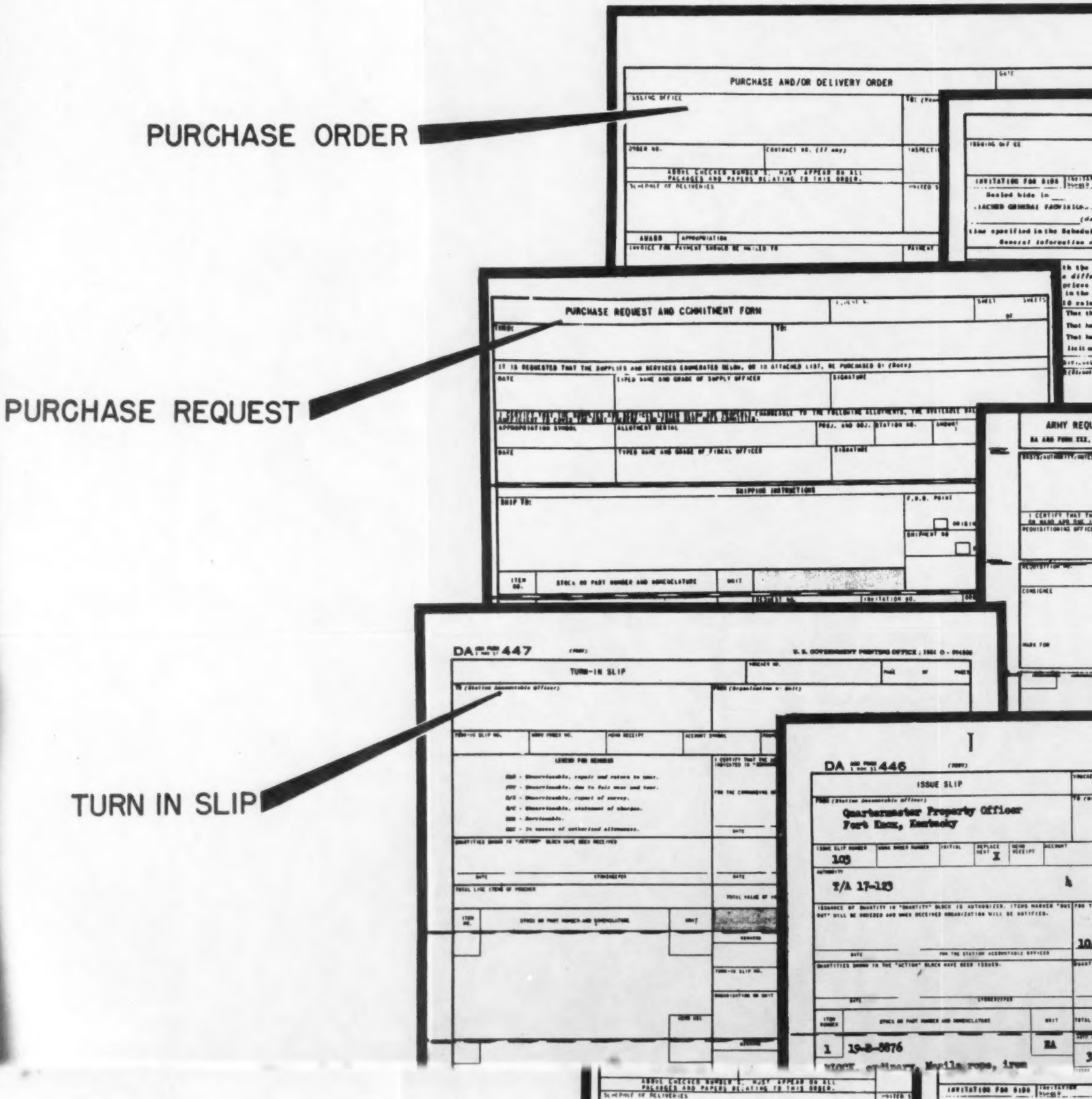
PRIMARY and SECONDARY documents created from ORIGINAL REQUISITION STRIPS

- IDENTIFICATION TAG
  (Pressure - sensitive adhesive back)
- ARMY SHIPPING DOCUMENT
  (Includes unit price for each item)
- PURCHASE REQUEST and COMMITMENT FORM
- DELAYED ITEMS REPORT
- CANCELATION NOTICE
- DUE'S OUT ESTABLISHED
- SHORTAGE REPORT
- EXTRACT REQUISITION
- REGULATED ITEM REQUEST
- DISAPPROVAL NOTICE
- NON-AVAILABILITY NOTICE

25062 O - 53 (Face p. 640) No. 7

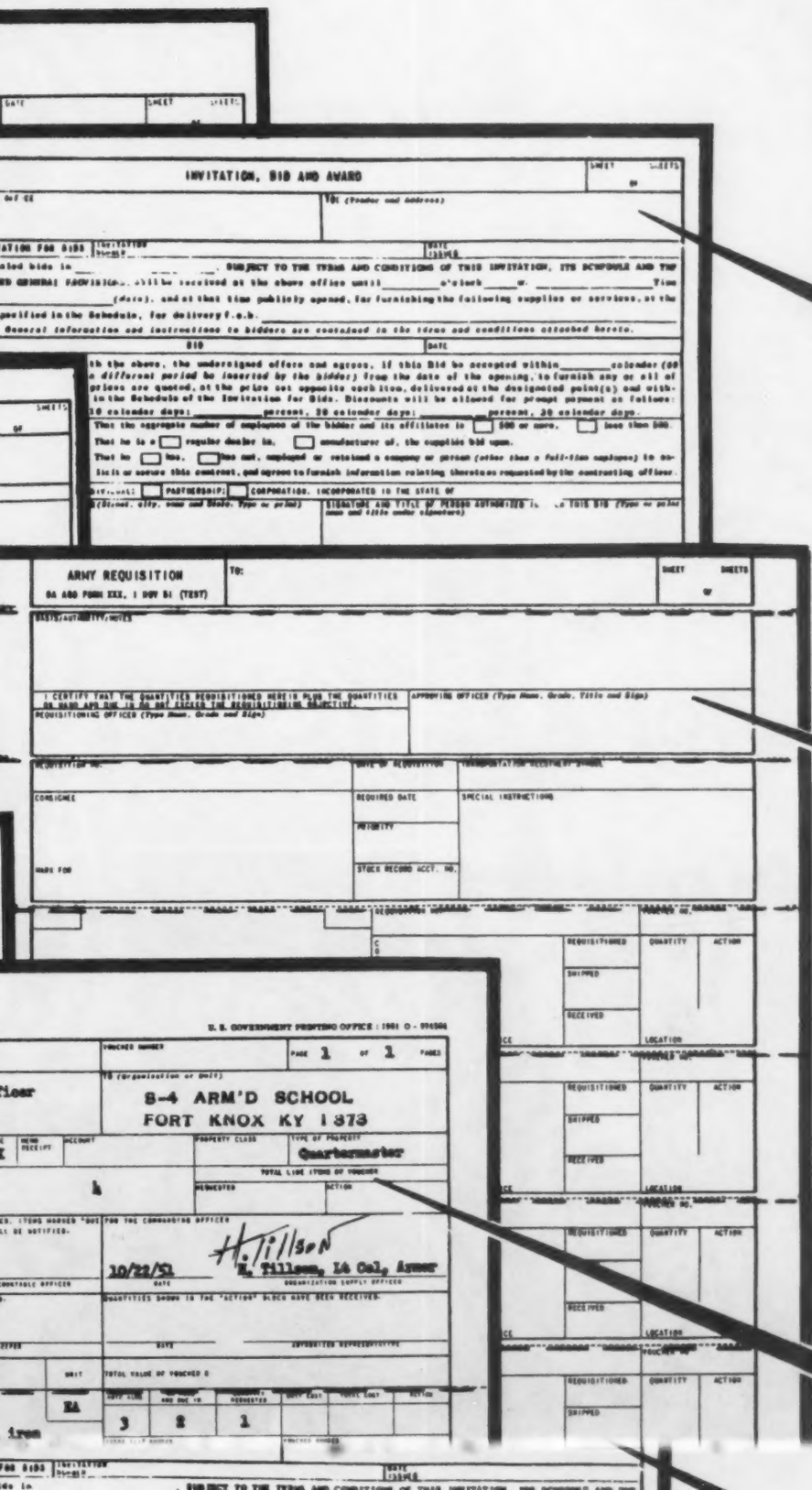
FLEXIBLE LINE ITEM

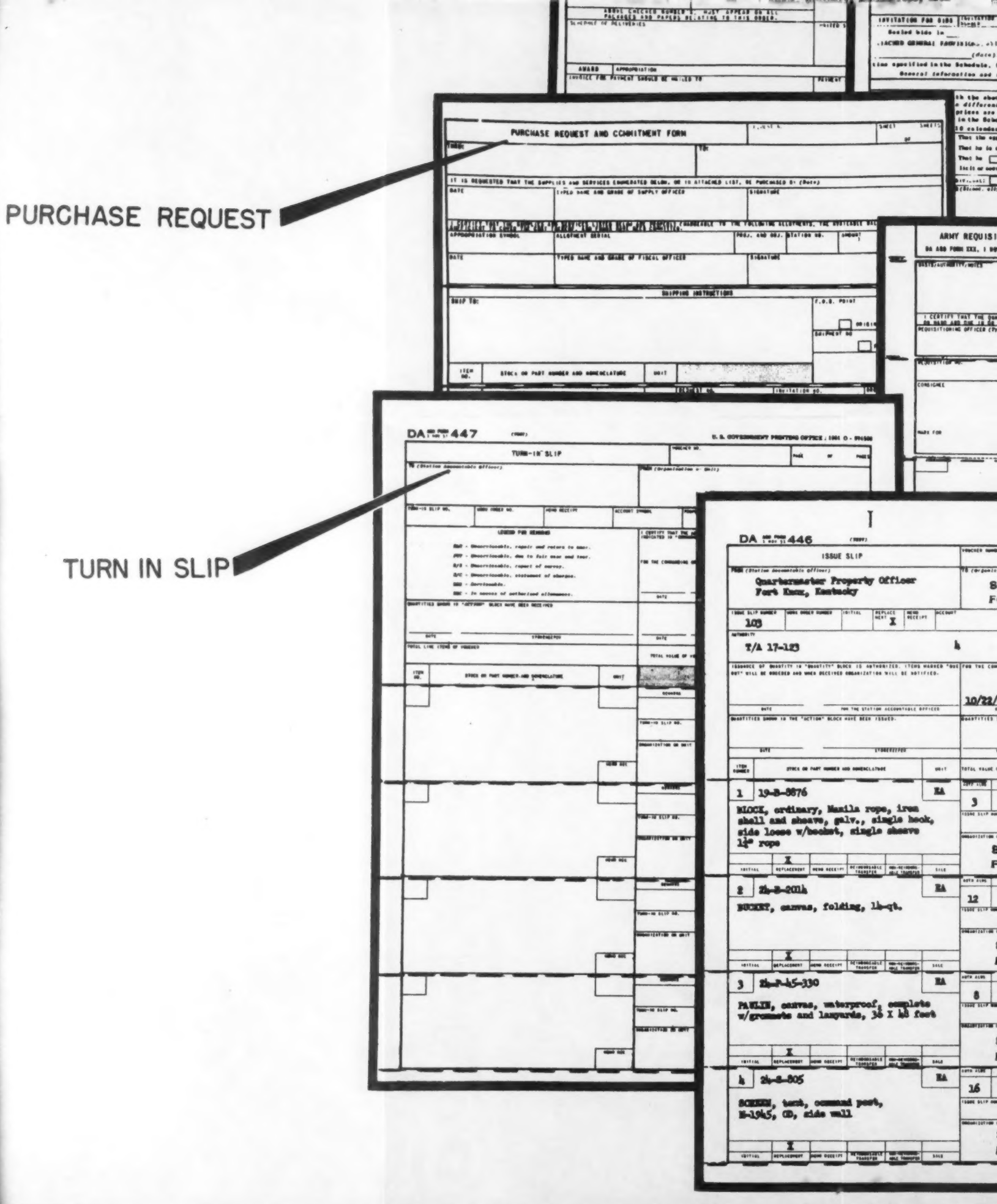
FOR SUPPLY AND

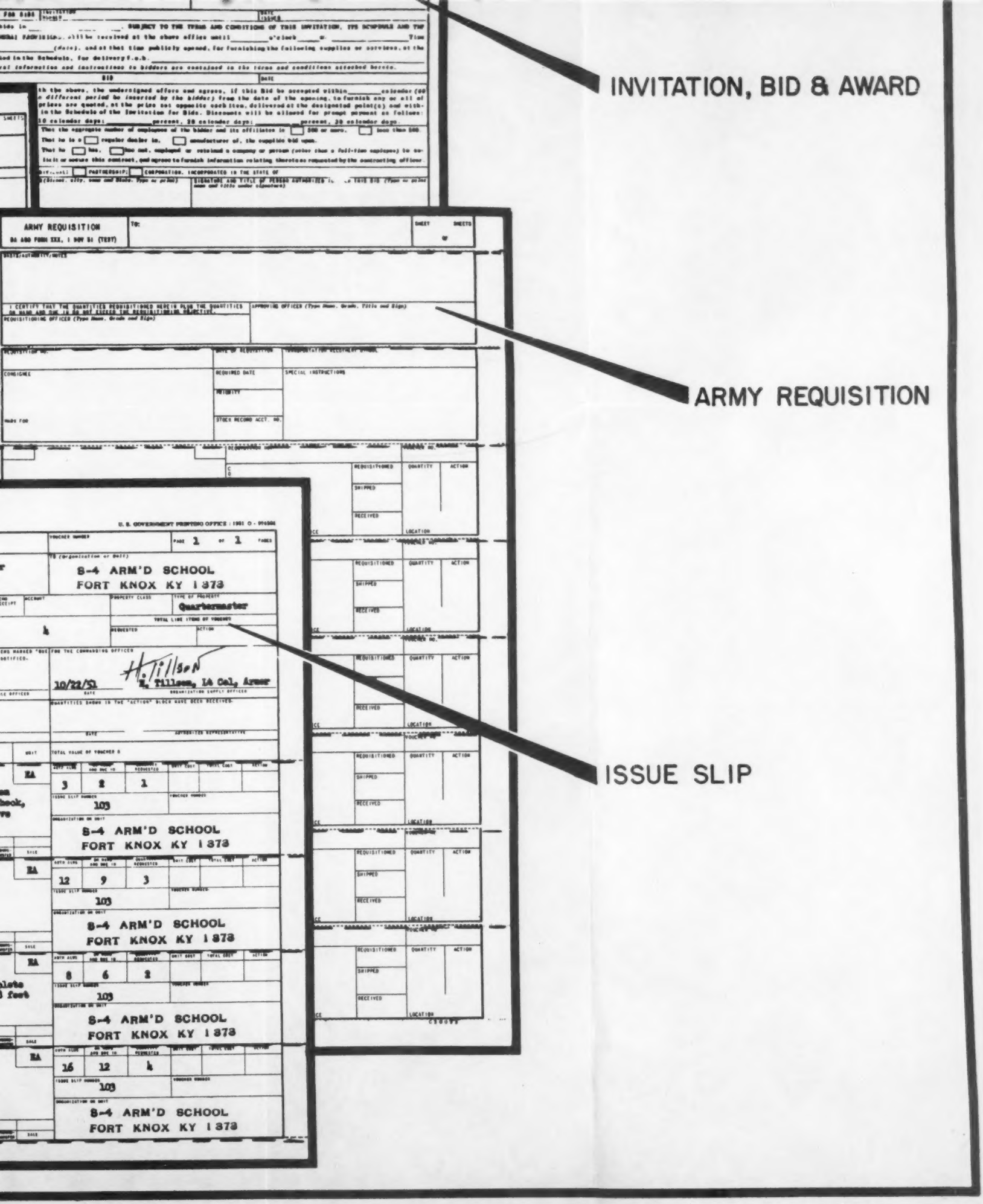


ITEM DOCUMENTATION

AND ACCOUNTING




PURCHASE REQUEST
TURN IN SLIP
PURCHASE REQUEST AND COMMITMENT FORM
DA 447
TURN-IN SLIP
DA 446
ISSUE SLIP
Quartermaster Property Officer
Fort Knox, Kentucky
103
T/A 17-123
1 19-B-3676
BLOCK, ordinary, Manila rope, iron shell and sheave, galv., single hook, side loose w/becket, single sheave 14" rope
2 24-B-2014
BUCKET, canvas, folding, 14-qt.
3 24-P-45-330
PANEL, canvas, waterproof, complete w/grommets and lanyards, 36 X 48 feet
4 24-S-805
SCREEN, tent, command post, M-1945, CP, side wall


INVITATION, BID & AWARD
ARMY REQUISITION
ISSUE SLIP
ARMY REQUISITION
DA AGO FORM 1XX, 1 NOV 51 (TEST)
TO:
SHEET
SHEETS
REQUISITIONING OFFICER (Type Name, Grade and Title)
APPROVING OFFICER (Type Name, Grade, Title and Sign)
CONSIGNEE
REQUIRED DATE
PRIORITY
STOCK RECORD ACCT. NO.
SPECIAL INSTRUCTIONS
REQUISITIONED
SHIPPED
RECEIVED
QUANTITY
ACTION
LOCATION
U. S. GOVERNMENT PRINTING OFFICE : 1951 O - 914004
PAGE 1 OF 1 PAGES
TO (Organization or Unit)
S-4 ARM'D SCHOOL
FORT KNOX KY 1 373
PROPERTY CLASS
Quartermaster
TOTAL LINE ITEMS OF VOUCHER
REQUESTED
ACTION
FOR THE COMMANDING OFFICER
10/22/51
H. Tillson, IA Col, Armor
DATE
ORGANIZATION SUPPLY OFFICER
QUANTITIES SHOWN IN THE "ACTION" BLOCK HAVE BEEN RECEIVED.
DATE
AUTHORIZED REPRESENTATIVE
TOTAL VALUE OF VOUCHER $
UNIT
AUTH ALLW
QTY RCD AND DUE IN
QUANTITY REQUESTED
UNIT COST
TOTAL COST
ACTION
EA
3
2
1
ISSUE SLIP NUMBER
103
VOUCHER NUMBER
ORGANIZATION OR UNIT
S-4 ARM'D SCHOOL
FORT KNOX KY 1 373
EA
12
9
3
ISSUE SLIP NUMBER
103
VOUCHER NUMBER
ORGANIZATION OR UNIT
S-4 ARM'D SCHOOL
FORT KNOX KY 1 373
EA
8
6
2
ISSUE SLIP NUMBER
103
VOUCHER NUMBER
ORGANIZATION OR UNIT
S-4 ARM'D SCHOOL
FORT KNOX KY 1 373
EA
16
12
4
ISSUE SLIP NUMBER
103
VOUCHER NUMBER
ORGANIZATION OR UNIT
S-4 ARM'D SCHOOL
FORT KNOX KY 1 373

PREPARATIO
REQUISITIONS F

NEW FLEXIBLE LINE FORM

PR

GENERAL SUPPLIES

CLOTHIN

ARMY REQUISITION
DA FORM 445, 1 MAR 52 (TEST)

TO: Quartermaster Supply Officer
Utah General Depot
Ogden, Utah

SHEET 1 SHEETS OF

BASIS/AUTHORITY/NOTES
Items required for replenishment this station
Stock levels established in accordance with TM 38-400 - TM 38-403

I CERTIFY THAT THE QUANTITIES REQUISITIONED HEREIN PLUS THE QUANTITIES ON HAND AND DUE IN DO NOT EXCEED THE REQUISITIONING OBJECTIVE.
REQUISITIONING OFFICER (Type Name, Grade and Title)
Lawrence J. P[illegible]
WOJG USA, Property Officer

APPROVING OFFICER (Type Name, Grade, Title and Sign)

REQUISITION NO.	DATE OF REQUISITION	TRANSPORTATION ALLOTMENT SYMBOL
05-010-4356-52	1 April 52	

CONSIGNEE	REQUIRED DATE	SPECIAL INSTRUCTIONS
Transportation Officer Camp Carson, Colo.	1 May 52	
MARK FOR: Quartermaster	PRIORITY	
	STOCK RECORD ACCT. NO.: 2-520	

NO.	STOCK NO.	ITEM	U/I	REQUISITIONED	SHIPPED	RECEIVED	QUANTITY	ACTION
1.	53-C-9091	Card, index, filing, white, plain 3" x 5"	EA	500				
2.	53-C-9093	Card, index, filing, white, plain 5" x 8"	EA	250				
3.	53-C-4900	Card, guide, blank, plain tabs, buff 1/5 cut, 3" x 5"	EA	50				
4.	53-C-4908	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"	EA	25				
5.	53-C-7894	Card, guide, pressed-board, gray, blank self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"	EA	50				

REQUISITION NO. 05-010-4356-52
Quartermaster Property Officer
Camp Carson, Colo.
(2-520)

VOUCHER NO. / UNIT PRICE / TOTAL PRICE / LOCATION

TO	Quartermaster Sup Ogden, Utah
SHIP TO	Transportation Off FOR: Quartermaste

ITEM NO.	STOCK NO.	
	BASIS:	Items requ
	AUTH:	Stock leve based on
1.	34-L-1101	Leat
2.	34-L-1102	
3.	34-L-1103	
4.	34-L-1125	Leat
5.	34-L-1140	Leat
6.	34-L-1150	
7.	34-P-49-45	Pad

REQ
3

The Action Symbol Column

ON OF STATION
FOR DEPOT SUPPLY

RESENT REQUISITION FORMS

ING AND EQUIPAGE

REQUISITION 1

r Supply Officer, Utah General Depot,

on Officer, Camp Carson, Colorado

rmaster

Page 1 of 1 Pages

Period
REPLENISHMENT

Requisition No.
Q' 05-010-339-52

	NOMENCLATURE	UNIT	1 CONTROL LEVEL	2 ON HAND	3 DUE IN	4 DUE OUT	5 QUANTITY REQ'S'N'D	ACT. SMBL.
			Columns 1-2-3-4-5					
s required for stock replenishment this station.								
k levels established in accordance with TM 38-400 and TM 38-403 d on 45 days stockage plus 30 days shipping time.								
	Leather, sole, full size 9	pr	25	0	0	2	27	
	size 10	pr	20	0	0	0	20	
	size 11	pr	30	0	0	0	30	
	Leather sole strip, 13" wide	lb	50	0	0	0	50	
	Leather sole tap, x large	pr	84	24	0	0	60	
	regular	pr	132	36	0	0	96	
	Pad, heel leather size 8	pr	300	165	0	0	135	

REQUIRED DATE
3 FEBRUARY 1952

lumn 1 for Depot Use Only

FOR THE COMMANDING OFFICER:

Jan 1952

5-1

Supply officer

SUBSISTENCE

REQUISITION

TO: Quartermaster Supply Officer
Utah General Depot

SHIP TO: Transportation Officer
Camp Carson, Colo.
For: Commissary Officer

ITEM NO.	STOCK NO.	NOMENCLATURE	UNIT	1 CONTROL LEVEL	2 ON HAND
				Colum	
1.	56 F 4397	Flour Wheat Hard 100# Bg.	Lb.	350000	20890
2.	56 F 4497	Flour Wheat Soft 100# Bg.	Lb.	33000	2907

Required Date
21 April 1952

The Action Symbol Column Is for Depot Use Only

FOR THE COMMANDING OFFICER:
LAWRENCE

1 Apr 1952

WD AGO FORM MAY 44 445

PREPARATION OF
REQUISITIONS FOR DI

LEXIBLE LINE FORM

PRESENT R

RAL SUPPLIES

CLOTHING AND EQUI

TO: Quartermaster Supply Officer
Utah General Depot
Ogden, Utah

SHEET 1 SHEETS

lenishment this station
d in accordance with TM 38-400 - TM 38-403

TIONED HEREIN PLUS THE QUANTITIES
REQUISITIONING OBJECTIVE.

APPROVING OFFICER (Type Name, Grade, Title and Sign)

DATE OF REQUISITION: 1 April 52
TRANSPORTATION ALLOTMENT SYMBOL
REQUIRED DATE: 1 May 52
PRIORITY
SPECIAL INSTRUCTIONS
STOCK RECORD ACCT. NO.: 2-520

EA	white, plain	REQUISITION NO. 05-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2-520)	REQUISITIONED 500	QUANTITY	ACTION
EA	white, plain	REQUISITION NO. 05-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2-520)	REQUISITIONED 250	QUANTITY	ACTION
EA	plain tabs, buff	REQUISITION NO. 05-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2-520)	REQUISITIONED 50	QUANTITY	ACTION
EA	plain tabs, buff	REQUISITION NO. 05-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2-520)	REQUISITIONED 25	QUANTITY	ACTION
EA		REQUISITION NO. 05-010-4356-52		REQUISITIONED	QUANTITY	ACTION

SHIPPED / RECEIVED / UNIT PRICE / TOTAL PRICE / VOUCHER NO. / LOCATION / UNIT WT. / UNIT CUBE / TOTAL CUBE

REQUISITION 1

TO: Quartermaster Supply Officer, Utah General Depot, Ogden, Utah

SHIP TO: Transportation Officer, Camp Carson, Colorado

FOR: Quartermaster

ITEM NO.	STOCK NO.	NOMENCLATURE	UNIT	1 CONTROL LEVEL	2 ON HAN
					Cab
	BASIS:	Items required for stock replenishment this station.			
	AUTH:	Stock levels established in accordance with TM 38-40 based on 45 days stockage plus 30 days shipping time.			
1.	34-L-1101	Leather, sole, full size 9	pr	25	0
2.	34-L-1102	size 10	pr	20	0
3.	34-L-1103	size 11	pr	30	0
4.	34-L-1125	Leather sole strip, 13" wide	lb	50	0
5.	34-L-1140	Leather sole tap,x large	pr	84	2
6.	34-L-1150	regular	pr	132	3
7.	34-P-49-45	Pad, heel leather size 8	pr	300	1

REQUIRED DATE
3 FEBRUARY 1952

OF STATION
DEPOT SUPPLY

REQUISITION FORMS

QUIPAGE

ON 1

Page 1 of 1 Pages
Period
REPLENISHMENT
Requisition No.
Q' 05-010-339-52

1 CONTROL LEVEL	2 ON HAND	3 DUE IN	4 DUE OUT	5 QUANTITY REQ'S'D	ACT. SMBL.
Column 1-2-3+4-5					
is station.					
th TM 38-400 and TM 38-403					
ipping time.					
25	0	0	2	27	
20	0	0	0	20	
30	0	0	0	30	
50	0	0	0	50	
84	24	0	0	60	
132	36	0	0	96	
300	165	0	0	135	

SUBSISTENCE

REQUISITION

TO: Quartermaster Supply Officer
Utah General Depot

SHIP TO: Transportation Officer
Camp Carson, Colo.
For: Commissary Officer

Page 1 of 1 Pages
Period
April 1952
Requisition No.
Sub. 05-010-66-52

ITEM NO.	STOCK NO.	NOMENCLATURE	UNIT	1 CONTROL LEVEL	2 ON HAND	3 DUE IN	4 DUE OUT	QUANTITY REQ'S'D	ACT. SMBL.
				Column 1-2-3+4-5					
1.	56 F 4397	Flour Wheat Hard 100# Bg.	Lb.	350000	208900	128624		12500	
2.	56 F 4497	Flour Wheat Soft 100# Bg.	Lb.	33000	29077	0		3900	

Required Date
21 April 1952

The Action Symbol Column Is for Depot Use Only

FOR THE COMMANDING OFFICER:
LAWRENCE J. PARKS

GENERAL SUPPLIES

CLOTHIN

ARMY REQUISITION
DA FORM 445, 1 MAR 52 (TEST)

To: Quartermaster Supply Officer
Utah General Depot
Ogden, Utah

SHEET 1 SHEETS

BASIS/AUTHORITY/NOTES
Items required for replenishment this station
Stock levels established in accordance with TM 38-400 - TM 38-403

I CERTIFY THAT THE QUANTITIES REQUISITIONED HEREIN PLUS THE QUANTITIES ON HAND ARE DUE IN DO NOT EXCEED THE REQUISITIONING OBJECTIVE.

REQUISITIONING OFFICER (Type Name, Grade and Title)
Lawrence J. [illegible]
WOJG USA Property Officer

APPROVING OFFICER (Type Name, Grade, Title and Sign)

REQUISITION NO.	DATE OF REQUISITION	TRANSPORTATION ALLOTMENT SYMBOL
05-010-4356-52	1 April 52	

CONSIGNEE	REQUIRED DATE	SPECIAL INSTRUCTIONS
Transportation Officer Camp Carson, Colo.	1 May 52	
MARK FOR	PRIORITY	
Quartermaster	STOCK RECORD ACCT. NO. 2-520	

1.	53-C-9091	EA	Card, index, filing, white, plain 3" x 5"	05-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2-520)	500							
2.	53-C-9093	EA	Card, index, filing, white, plain 5" x 8"	05-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2-520)	250							
3.	53-C-4900	EA	Card, guide, blank, plain tabs, buff 1/5 cut, 3" x 5"	05-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2-520)	50							
4.	53-C-4908	EA	Card, guide, blank, plain tabs, buff 1/5 cut, 5" x 8"	05-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2-520)	25							
5.	53-C-7894	EA	Card, guide, pressed-board, gray, blank self-tabs, 1/5 cut, w/o lower projection, 9½" x 11 3/4"	05-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2-520)	50							
6.	53-C-7896	EA	Card, guide, pressed-board, gray, blank, self-tabs, 1/5 cut, w/o lower projection, 9½" x 14 7 8"	05-010-4356-52	Quartermaster Property Officer Camp Carson, Colo. (2-520)	50							

DA FORM 1 MAR 52 445 (TEST)

C50093

DA FORM 1 MAR 52 445 (TEST)

DA FORM 1 MAR 52 445 (TEST)

COPY 1 AND 3 GOES TO DEPOT
COPY 2 REMAINS AT STATION

TO: Quartermaster Supply
Ogden, Utah

SHIP TO: Transportation Offi
FOR: Quartermaster

ITEM NO.	STOCK NO.	
	BASIS: Items requi	
	AUTH: Stock leve based on h	
1.	34-L-1101	Leath
2.	34-L-1102	
3.	34-L-1103	
4.	34-L-1125	Leath
5.	34-L-1140	Leath
6.	34-L-1150	
7.	34-P-49-45	Pad,

REQU
3 F

The Action Symbol Column fo

WD AGO FORM 1 MAY 44 445

WD AGO FORM 1 MAY 44 445

WD AGO FORM 1 MAY 44 445

The Action Symbol Column Is for Depot Use Only

For the Commanding Officer:
LAWRENCE J. PARRES
1 Apr 195 52

THING AND EQUIPAGE

SUBSTENCE

REQUISITION 1

Quartermaster Supply Officer, Utah General Depot,
Utah

Page 1 of 1 Pages
Period
REPLENISHMENT
Requisition No.
Q' 05-010-339-52

rtation Officer, Camp Carson, Colorado
uartermaster

No.	Nomenclature	Unit	1 Control Level	2 On Hand	3 Due In	4 Due Out	5 Quantity Req'd/wd	Act. Symbol
			Columns 1-2-3-4-5					
	Items required for stock replenishment this station.							
	Stock levels established in accordance with TM 38-400 and TM 38-403 based on 45 days stockage plus 30 days shipping time.							
01	Leather, sole, full size 9	pr	25	0	0	2	27	
02	size 10	pr	20	0	0	0	20	
03	size 11	pr	30	0	0	0	30	
25	Leather sole strip, 13" wide	lb	50	0	0	0	50	
40	Leather sole tap, x large	pr	84	24	0	0	60	
50	regular	pr	132	36	0	0	96	
-45	Pad, heel leather size 8	pr	300	165	0	0	135	

REQUIRED DATE
3 FEBRUARY 1952

bol Column is for Depot Use Only

For the Commanding Officer:
3 Jan 195 2 (Supply officer) 5-1

AGO FORM MAY 44 445
(D. A. G. O. Form No. 445, 8 August)

445

5

REQUISITION

TO: Quartermaster Supply Officer
Utah General Depot

SHIP TO: Transportation Officer
Camp Carson, Colo.
For: Commissary Officer

Item No.	Stock No.	Nomenclature	Unit	1 Control Level	2 On Hand
					Co
1.	56 F 4397	Flour Wheat Hard 100# Bg.	Lb.	350000	208
2.	56 F 4497	Flour Wheat Soft 100# Bg.	Lb.	33000	290

Required Date
21 April 1952

The Action Symbol Column Is for Depot Use Only

For the Commanding Officer:
LAWRENCE J. PARRES
1 Apr 195 52

① WD AGO FORM MAY 44 445
(This form supersedes W. D., A. G. O. Form No. 445, 8 August

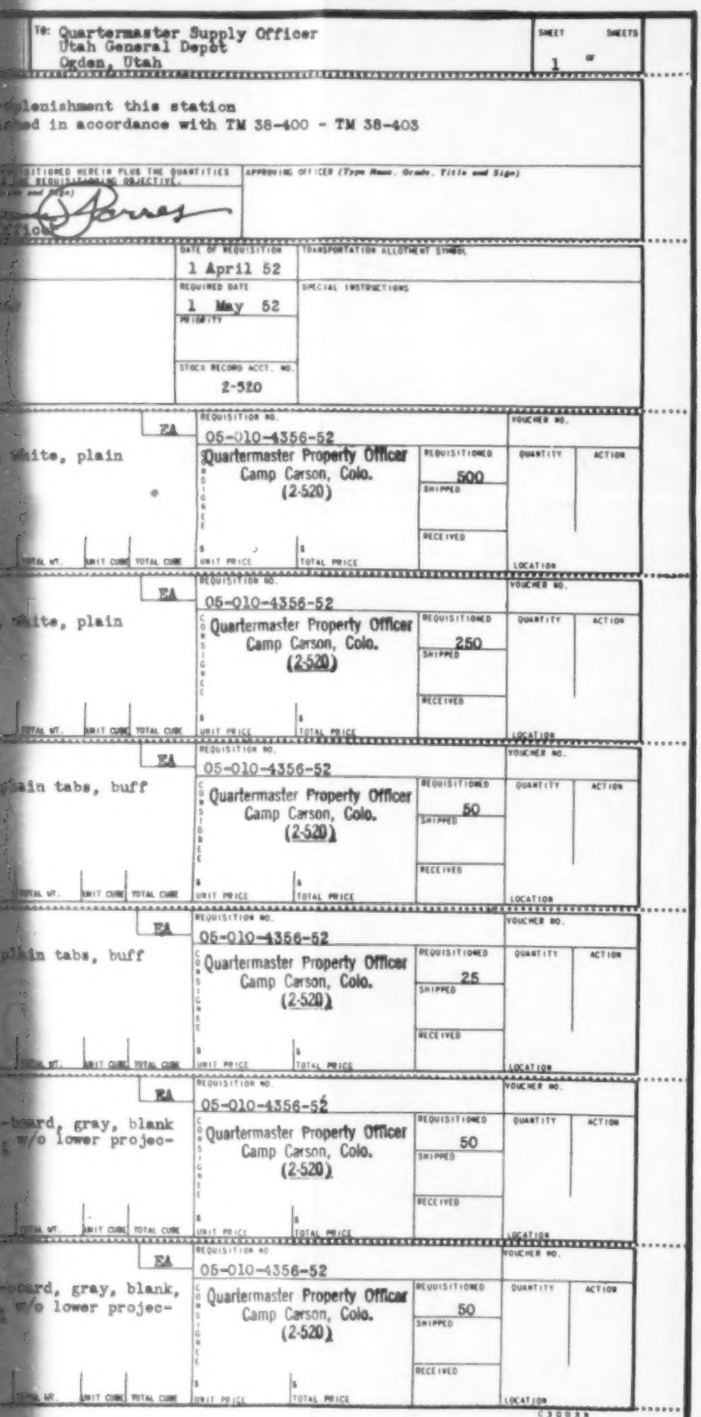
② WD AGO FORM MAY 44 445

③ WD AGO FORM MAY 44 445

④ WD AGO FORM MAY 44 445

RAL SUPPLIES

CLOTHING AND EQUI



TO: Quartermaster Supply Officer
Utah General Depot
Ogden, Utah

SHEET 1 SHEETS

lenishment this station
ed in accordance with TM 38-400 - TM 38-403

APPROVING OFFICER (Type Name, Grade, Title and Sign)

DATE OF REQUISITION: 1 April 52
REQUIRED DATE: 1 May 52
PRIORITY:
STOCK RECORD ACCT. NO.: 2-520
TRANSPORTATION ALLOTMENT SYMBOL:
SPECIAL INSTRUCTIONS:

EA	hite, plain	05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	REQUISITIONED 500
EA	hite, plain	05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	REQUISITIONED 250
EA	lain tabs, buff	05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	REQUISITIONED 50
EA	lain tabs, buff	05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	REQUISITIONED 25
EA	-board, gray, blank w/o lower projec-	05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	REQUISITIONED 50
EA	-board, gray, blank, w/o lower projec-	05-010-4356-52 Quartermaster Property Officer Camp Carson, Colo. (2-520)	REQUISITIONED 50

C30035

REQUISITION 1

TO: Quartermaster Supply Officer, Utah General Depot, Ogden, Utah

SHIP TO: Transportation Officer, Camp Carson, Colorado
FOR: Quartermaster

ITEM NO.	STOCK NO.	NOMENCLATURE	UNIT	1 CONTROL LEVEL	2 ON HAND
	BASIS:	Items required for stock replenishment this station.			
	AUTH:	Stock levels established in accordance with TM 38-400 based on 45 days stockage plus 30 days shipping time.			
1.	34-L-1101	Leather, sole, full size 9	pr	25	0
2.	34-L-1102	size 10	pr	20	0
3.	34-L-1103	size 11	pr	30	0
4.	34-L-1125	Leather sole strip, 13" wide	lb	50	0
5.	34-L-1140	Leather sole tap, x large	pr	84	2
6.	34-L-1150	regular	pr	132	3
7.	34-P-49-45	Pad, heel leather size 8	pr	300	1

REQUIRED DATE
3 FEBRUARY 1952

The Action Symbol Column is for Depot Use Only

FOR THE COMMANDING OFFICER:

3 Jan. 1952

① WD AGO FORM 1 MAY 44 445

② WD AGO FORM 1 MAY 44 445

③ WD AGO FORM 1 MAY 44 445

④ WD AGO FORM 1 MAY 44 445

AND 3 GOES TO DEPOT
REMAINS AT STATION

QUIPAGE

SUBSISTENCE

N 1

Page 1 of 1 Pages
Period
REPLENISHMENT
Requisition No.
Q' 05-010-339-52

1	2	3	4	5	
NTROL EVEL.	ON HAND	DUE IN	DUE OUT	QUANTITY REQ'D'D	ACT. SMBL.
Columns 1-2-3-4-5					
s station.					
n TM 38-400 and TM 38-403 cping time.					
25	0	0	2	27	
20	0	0	0	20	
30	0	0	0	30	
50	0	0	0	50	
84	24	0	0	60	
132	36	0	0	96	
300	165	0	0	135	

OFFICER:

(Supply officer) 5-1

REQUISITION

TO: Quartermaster Supply Officer
Utah General Depot

SHIP TO: Transportation Officer
Camp Carson, Colo.
For: Commissary Officer

Page 1 of 1 Pages
Period
April 1952
Requisition No.
Sub. 05-010-66-52

ITEM NO.	STOCK NO.	NOMENCLATURE	UNIT	1 CONTROL LEVEL	2 ON HAND	3 DUE IN	4 DUE OUT	QUANTITY REQ'D'D	ACT. SMBL.
				Columns 1-2-3-4-5					
1.	56 F 4397	Flour Wheat Hard 100# Bg.	Lb.	350000	208900	128624		12500	
2.	56 F 4497	Flour Wheat Soft 100# Bg.	Lb.	33000	29077	0		3900	

Required Date
21 April 1952

The Action Symbol Column Is for Depot Use Only

FOR THE COMMANDING OFFICER:
LAWRENCE J. PARKS
1 Apr 1952
Chief of Property Officer 5-1

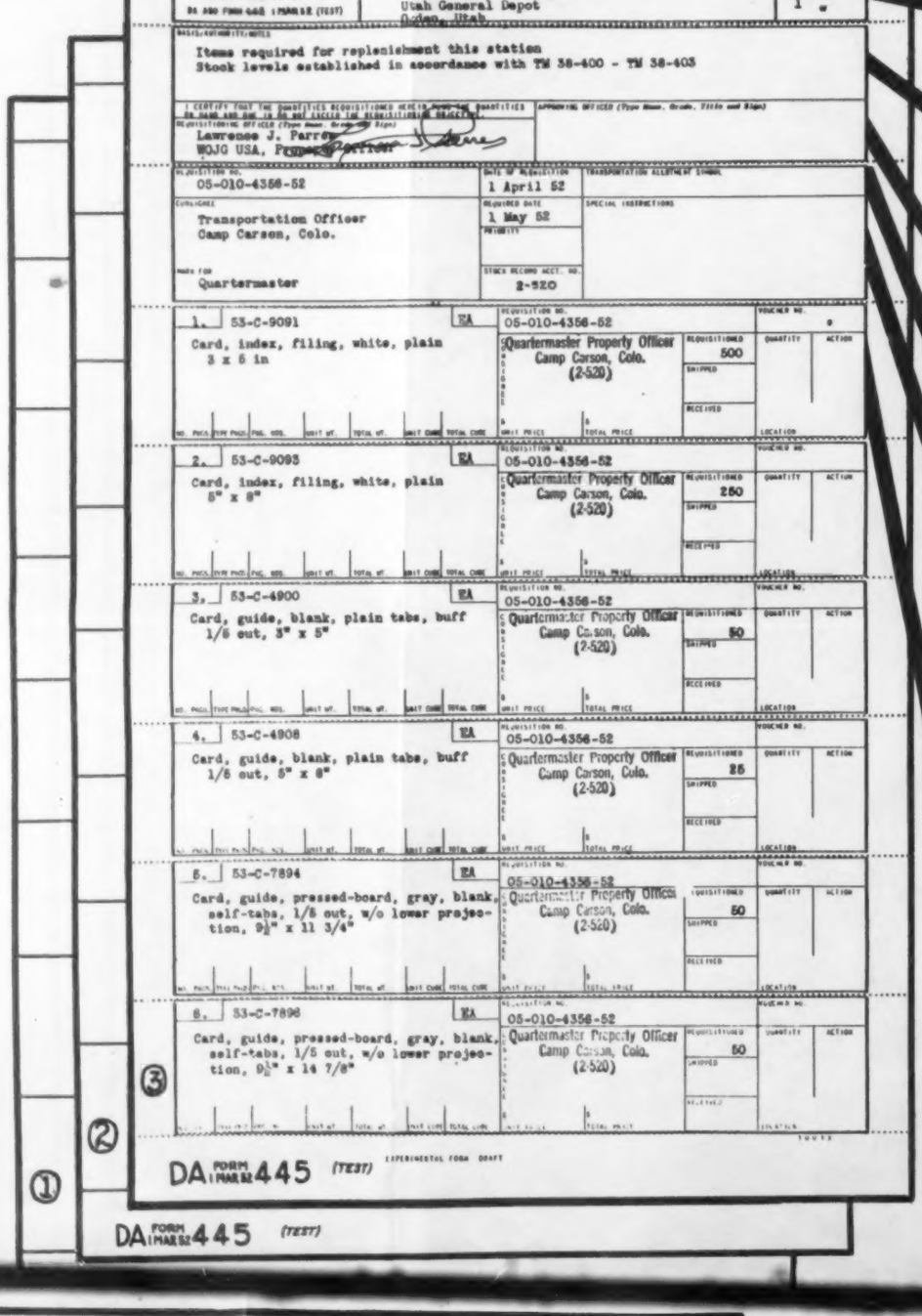
① WD AGO FORM 1 MAY 44 445
(This form supersedes W. D., A. G. O. Form No. 445, 6 August

② WD AGO FORM 1 MAY 44 445

③ WD AGO FORM 1 MAY 44 445

④ WD AGO FORM 1 MAY 44 445

ELEMENTS INVOLV
LINE ITEM R
(STATIONS TO



ARMY REQUISITION
DA FORM 445, 1 MAR 52 (TEST

BASIS/AUTHORITY/NOTES
Items required f
Stock levels est

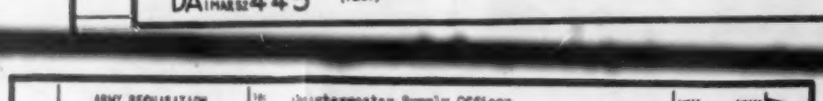
I CERTIFY THAT THE QUANTITIES
ON HAND AND DUE IN DO NOT EXC
REQUISITIONING OFFICER (Type Name,
Lawrence J. Parres
WOJG USA, Property

REQUISITION NO.
05-010-4356-52

CONSIGNEE
Transportation Offi
Camp Carson, Colo.

MARK FOR
Quartermaster

UNIT OF



VED IN FLEXIBLE
REQUISITION
TO DEPOTS)

ITION
52 (TEST)

TO: Quartermaster Supply Officer
Utah General Depot
Ogden, Utah

SHEET 1 OF SHEETS

ES
ired for replenishment this station
ls established in accordance with TM 38-400 - TM 38-403

UANTITIES REQUISITIONED HEREIN PLUS THE QUANTITIES
O NOT EXCEED THE REQUISITIONING OBJECTIVE.
Type Name, Grade and Sign
Parres
operty Officer

APPROVING OFFICER *(Type Name, Grade, Title and Sign)*

2

REQUIRED DATE
1 May 52

DATE OF REQUISITION
1 April 52

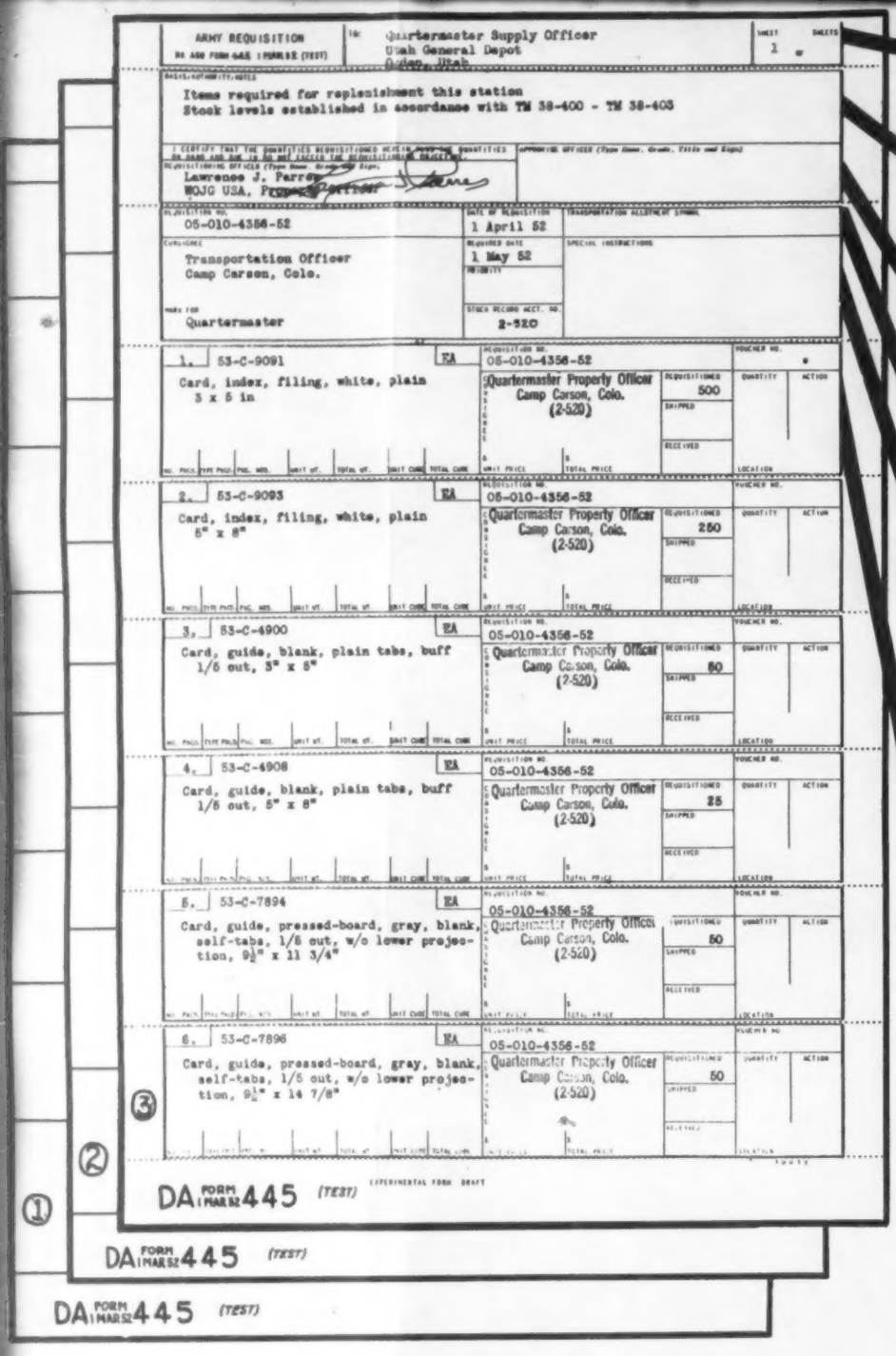
PRIORITY

STOCK RECORD ACCT. NO.
2-520

n Officer
Colo.

SPECIAL INSTRUCTIONS

NT OF ISSUE



ARMY REQUISITION
DA FORM 445, 1 MAR 52 (TEST)

BASIS/AUTHORITY/NOTES

Items required for re
Stock levels establis

I CERTIFY THAT THE QUANTITIES REQUIS
ON HAND AND DUE IN DO NOT EXCEED THE
REQUISITIONING OFFICER *(Type Name, Grade a*

Lawrence J. Parres
WOJG USA, Property Offi

REQUISITION NO.

05-010-4356-52

CONSIGNEE

Transportation Officer
Camp Carson, Colo.

MARK FOR

Quartermaster

UNIT OF IS

1. STOCK NUMB

53-C-9091

Card, index, filing, white
3" x 5"

LINE ITEM NUMBER

NOMENCLATURE

RUBBER STAM
CONSIGNEE IS
PERFORATED C

TO: Quartermaster Supply Officer
Utah General Depot
Ogden, Utah

SHEET 1 OF SHEETS

r replenishment this station
olished in accordance with TM 38-400 - TM 38-403

QUISITIONED HEREIN PLUS THE QUANTITIES
THE REQUISITIONING OBJECTIVE.
ade and Sign
fficer

APPROVING OFFICER *(Type Name, Grade, Title and Sign)*

REQUIRED DATE
1 May 52

DATE OF REQUISITION
1 April 52

PRIORITY

STOCK RECORD ACCT. NO.
2-520

SPECIAL INSTRUCTIONS

r

ISSUE

MBER

EA

REQUISITION NO.
05-010-4356-52

hite, plain

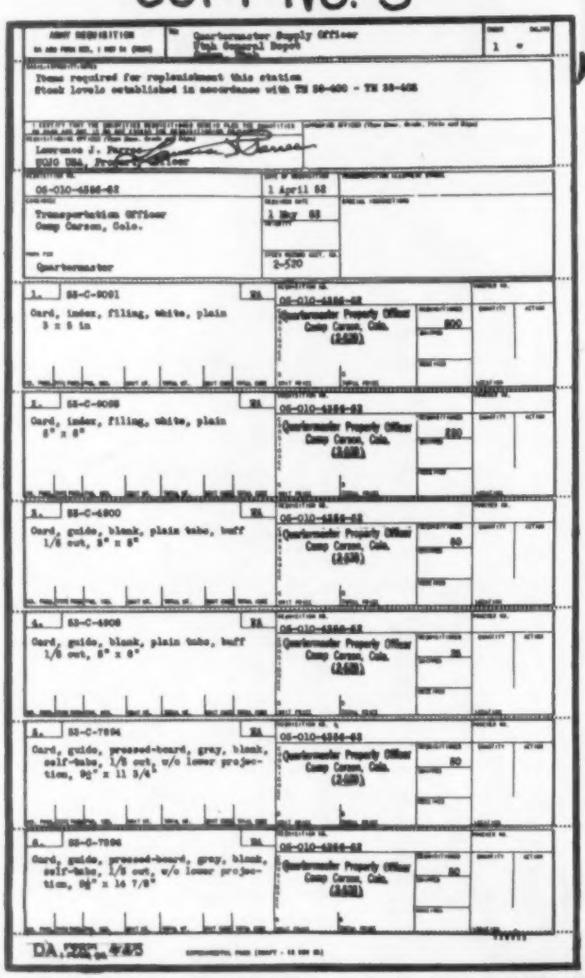
CONSIGNEE
Quartermaster Property Officer
Camp Carson, Colo.
(2-520)

REQUISITIONED
500

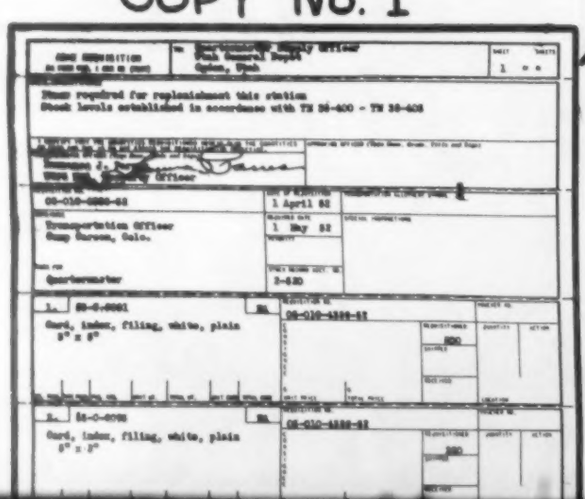
AMP INDICATING
S USED ONLY ON
COPY OF REQUISITION

DEPOT PROCESS
LINE ITEM

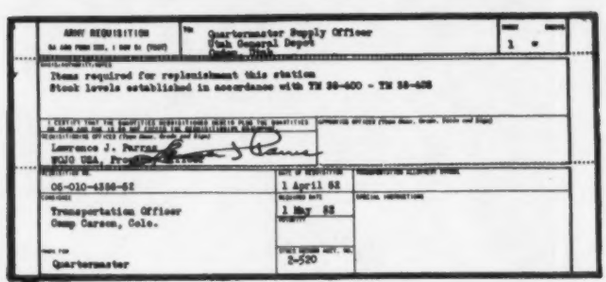
PERFORATED DOCUMENT
COPY No. 3



UNPERFORATED DOCUMENT
COPY No. 1



PERFORATED REQUISITION



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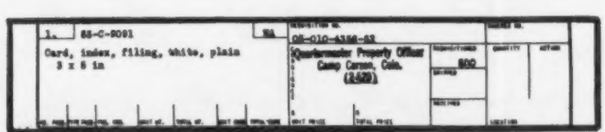

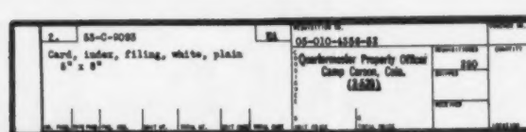

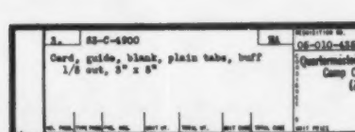

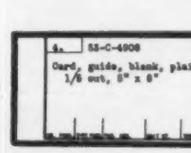

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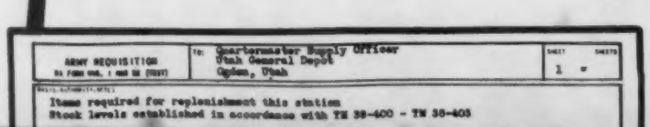
ARMY REQUISITION
To: Quartermaster Supply Officer
Utah General Depot
Ogden, Utah
Items required for replenishment this station
Stock levels established in accordance with TM 38-400 - TM 38-405

SSING OF FLEXIBLE
I REQUISITION

N IS SEPARATED INTO INDIVIDUAL LINE ITEM STR

ONSIGNEE STRIP WITH LINE ITEM COUNT ANNOTATED TH
S FORWARDED TO CONTROL AND ASSEMBLY POINT.

APPROPRIATE "SUPPLY ACTION SYMBOL" IS ENTE
UNDER THE "ACTION" COLUMN OF EACH LINE ITEM

AT THE CONTROL AND ASSEMBLY POINT EACH
ITEM STRIP IS PLACED INTO AN "ASSEMBL
PANEL" TOGETHER WITH AN IDENTIFY
STUB.

EACH PANEL IS PHOTOGRAPHED
NEW PRIMARY OR SECONDARY
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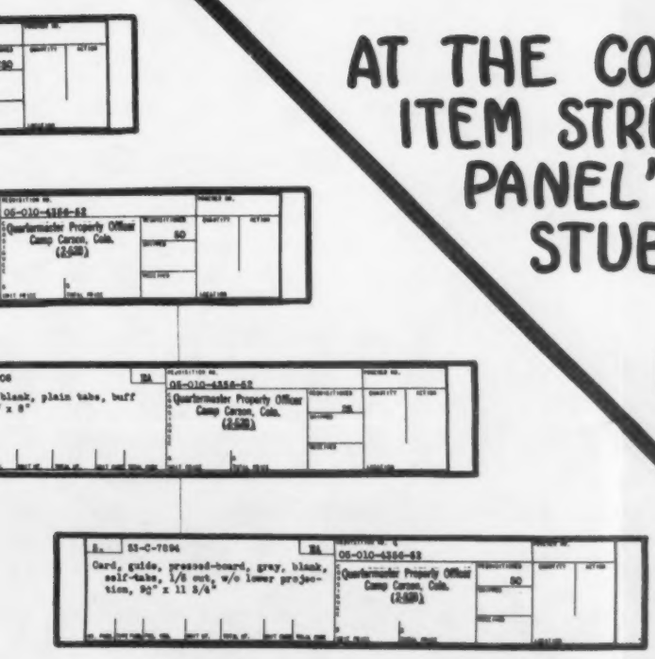
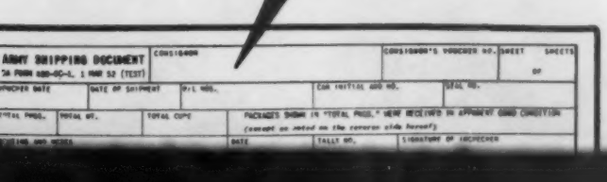


HE THREE PANELS WITH STUBS and STRIPS REPRESENT NEW DOC

SHIPPING DOCUMENT STUB

PURCHASE REQUEST STUB

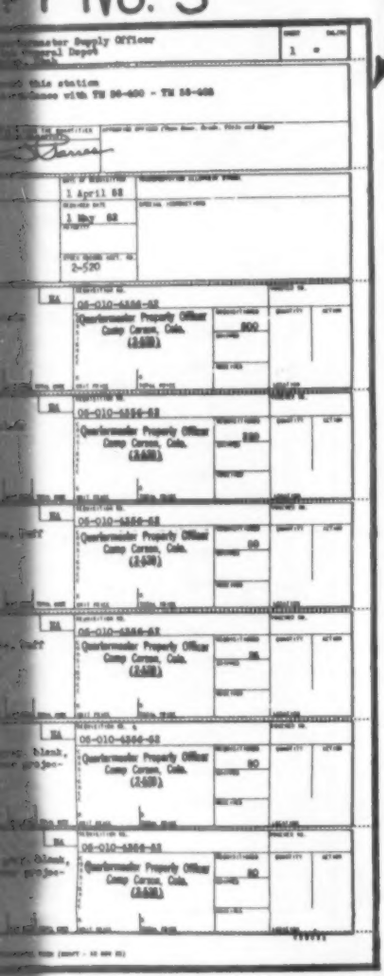
EXTRACT S



DEPOT PROCESSING
LINE ITEM REQ

PERFORATED REQUISITION IS SEPARATE

TED DOCUMENT
PY No. 3



RATED DOCUMENT
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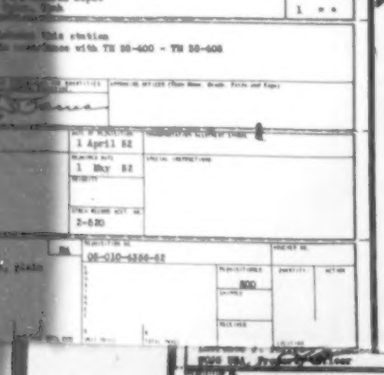

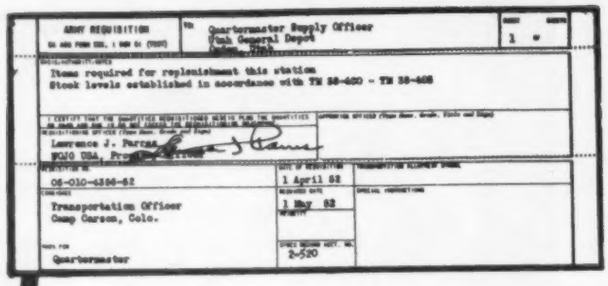

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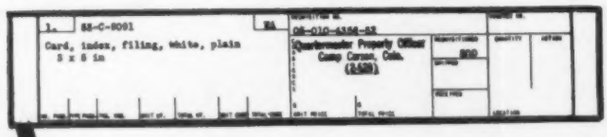

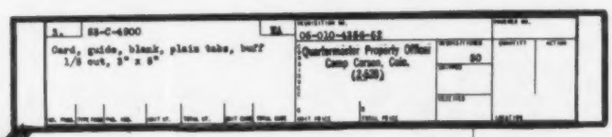

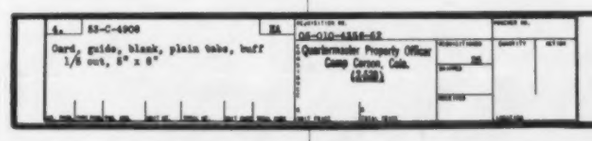

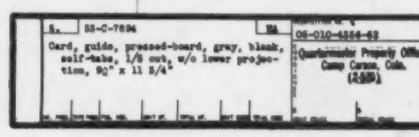
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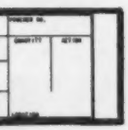

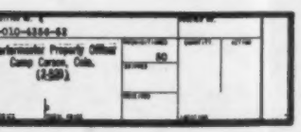

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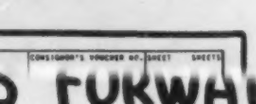

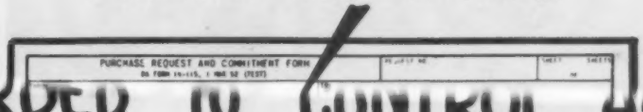

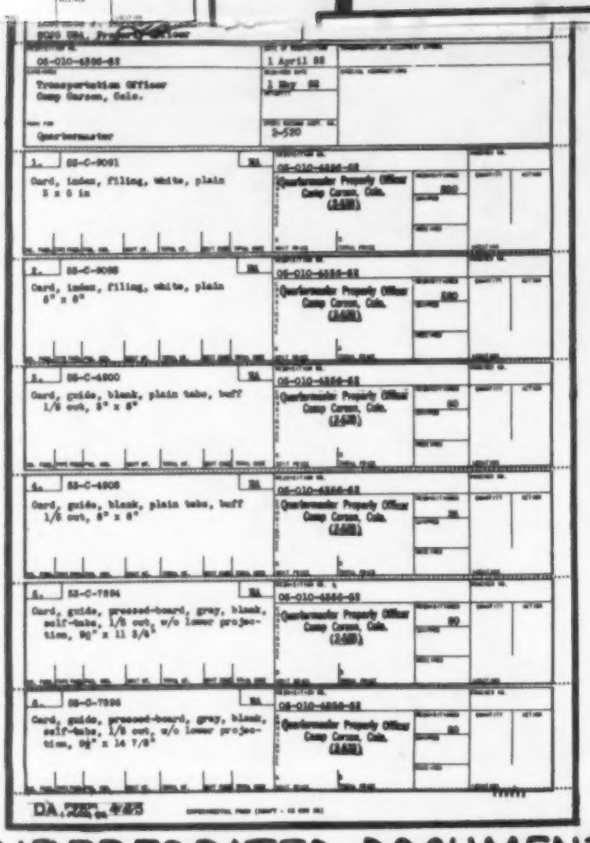

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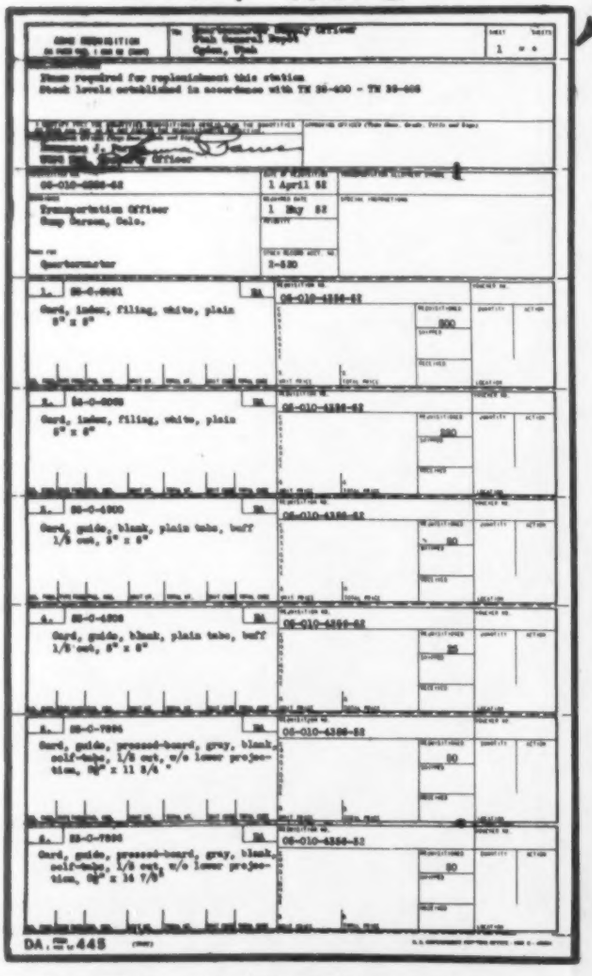

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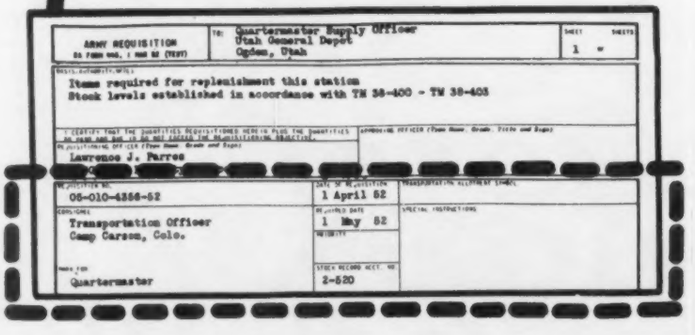

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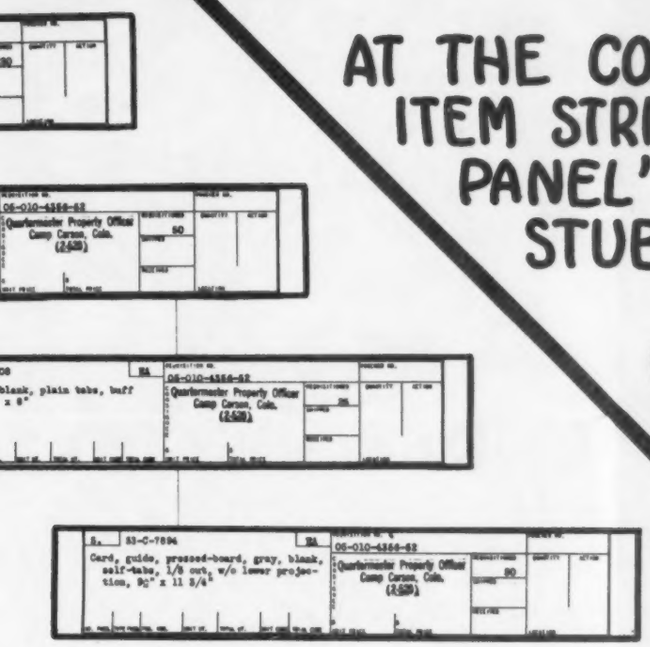

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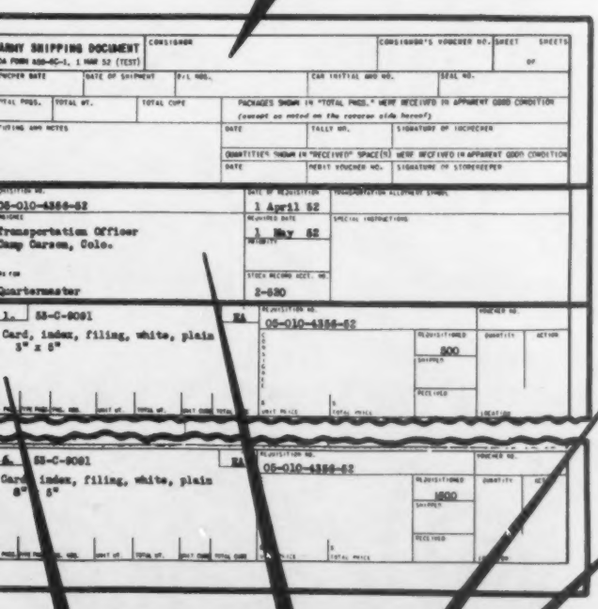

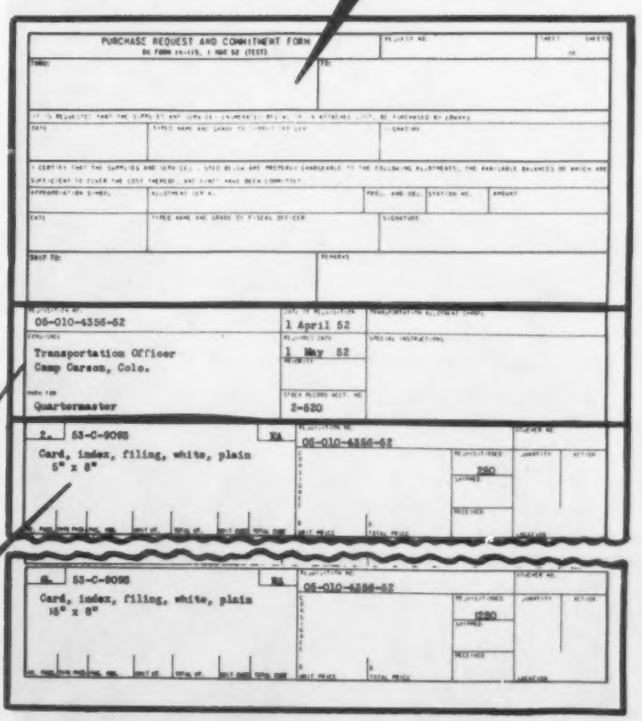

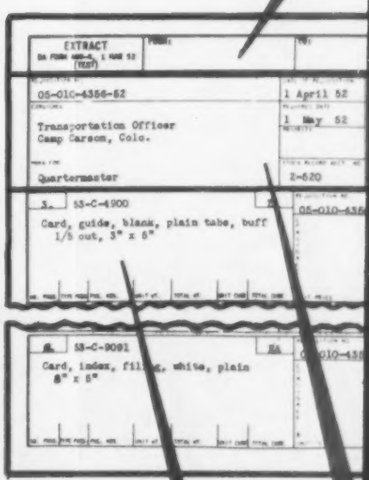

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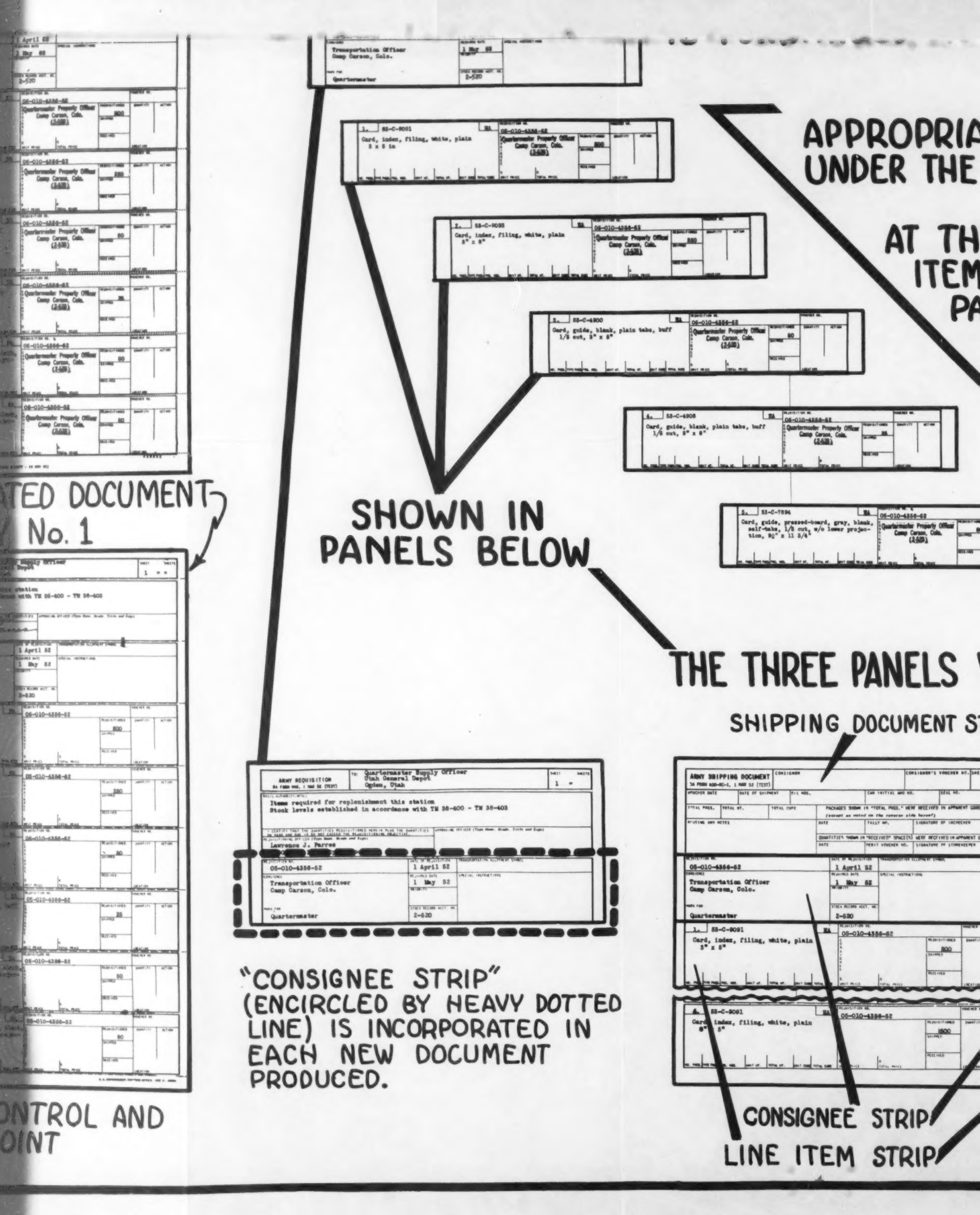
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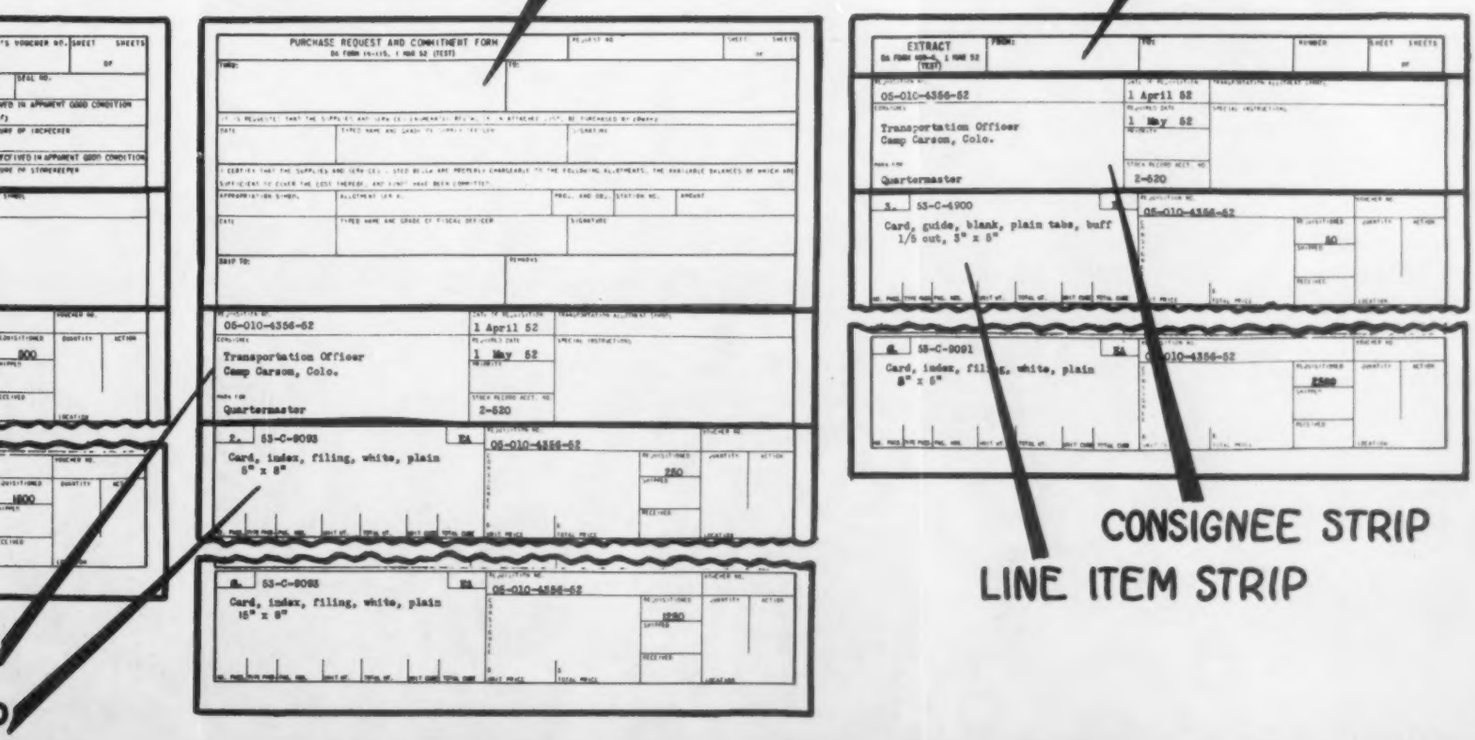

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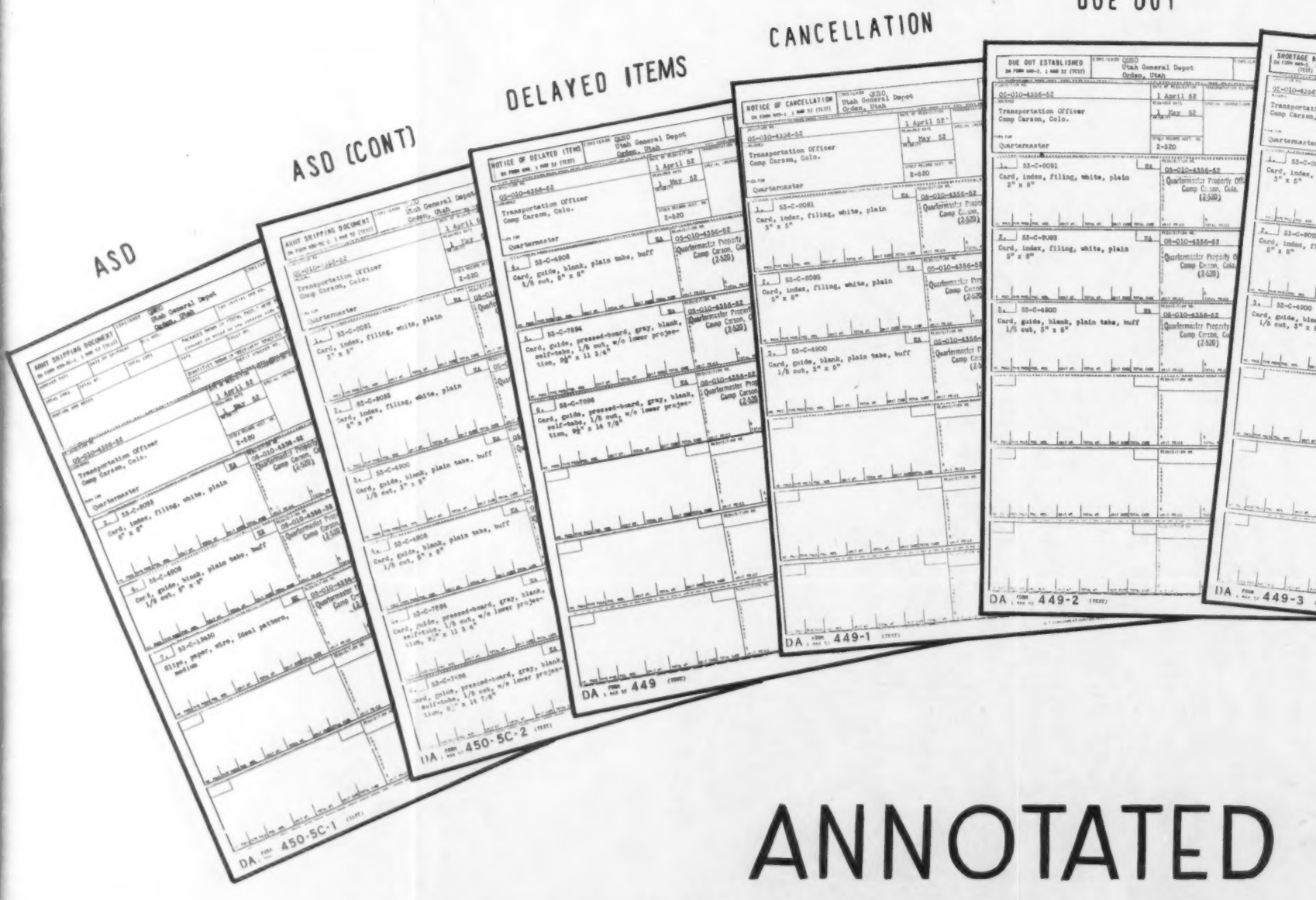

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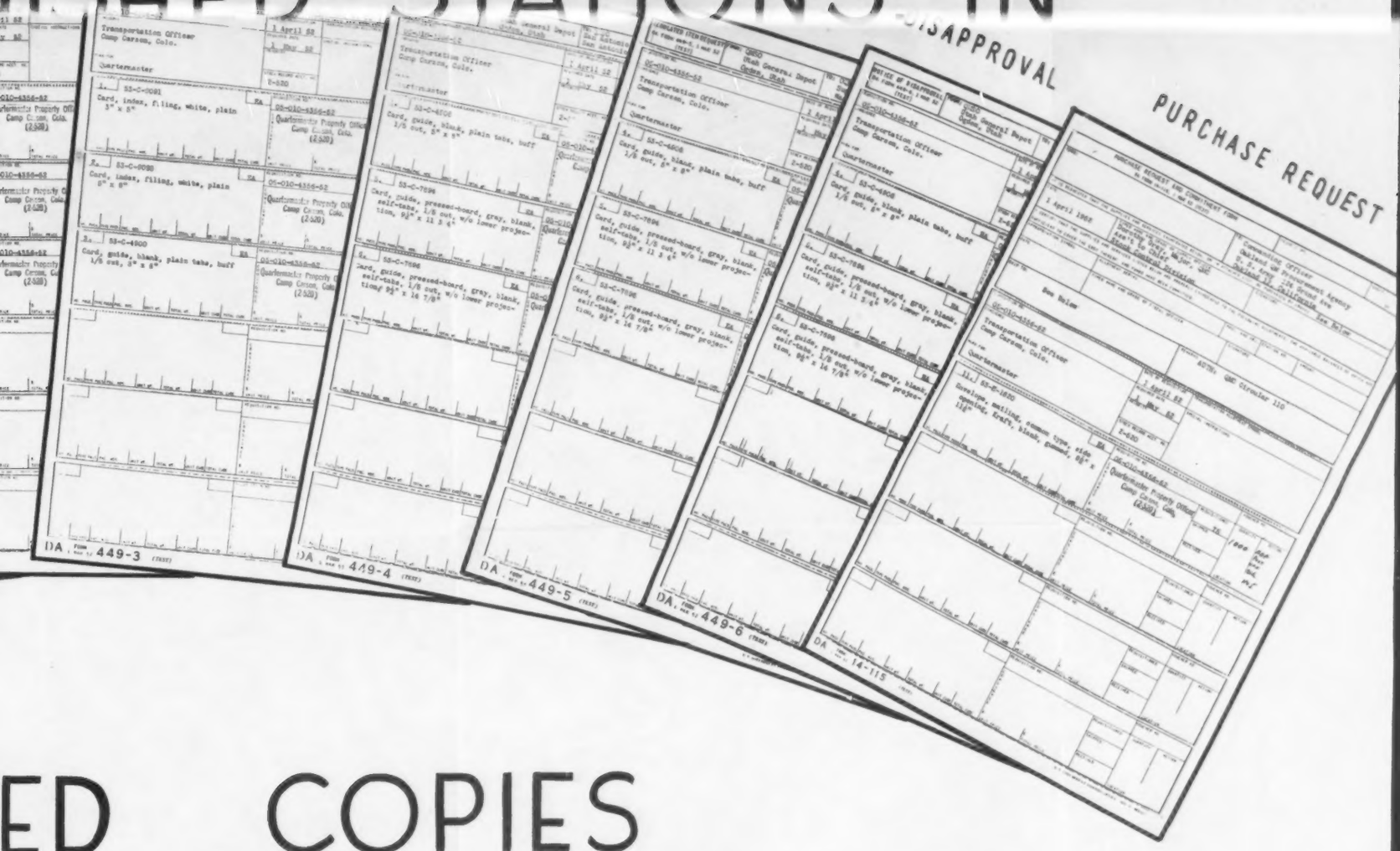

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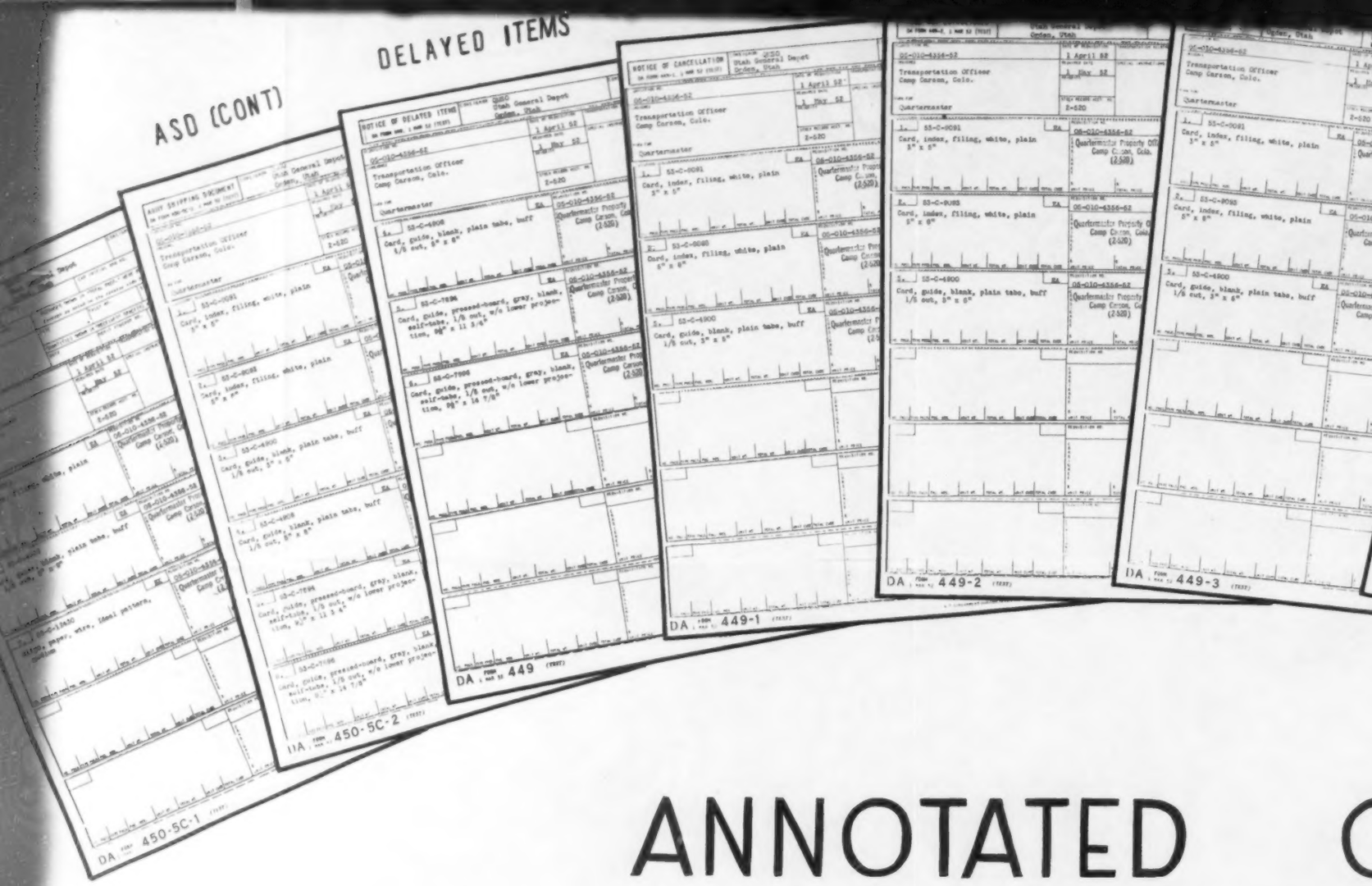

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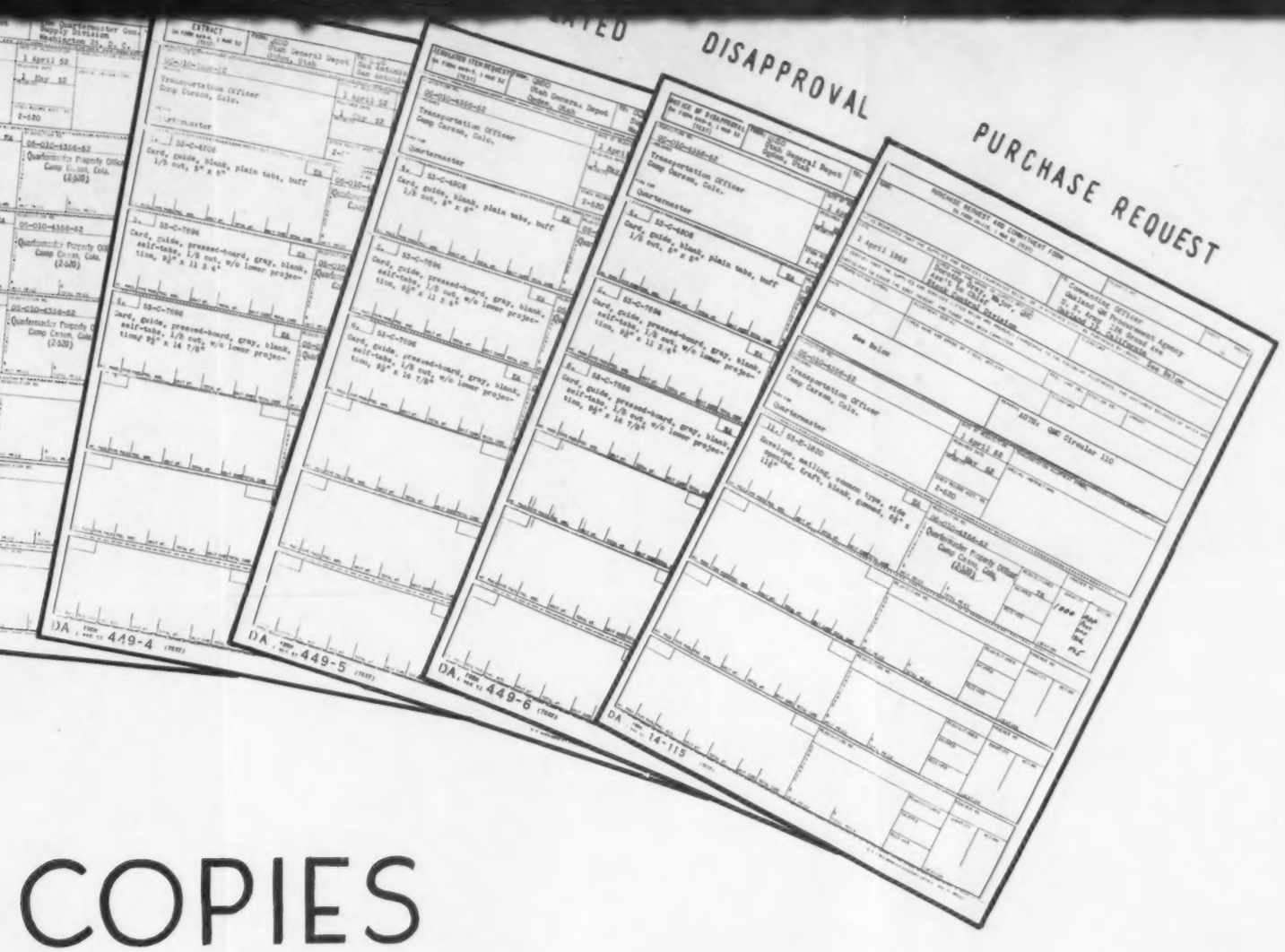

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FIELD CONFERENCES ON FEDERAL SUPPLY MANAGEMENT—PART IV

(Section 2)

(Meeting held at United States Naval Supply Depot, Clearfield, Ogden, Utah)

THURSDAY, AUGUST 28, 1952

HOUSE OF REPRESENTATIVES,
INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
ON THE COMMITTEE ON EXPENDITURES
IN THE EXECUTIVE DEPARTMENTS,[1]
Ogden, Utah.

The subcommittee reconvened at the United States Naval Supply Depot, Clearfield, Ogden, Utah, on Federal supply management, at 2 p. m., August 28, 1952.

Present: Representatives Bonner, chairman; (Mrs.) Cecil M. Harden; and Chet Holifield.

Staff members present: Thomas A. Kennedy, general counsel to full committee; Ray Ward, subcommittee staff director; and Herbert Roback, staff director, Reorganization Subcommittee.

Naval personnel present: Read Adm. C. H. Gillilan, commanding officer, naval supply depot; Commander F. E. Johnstone, Supply Corps, United States Naval Reserve, control division officer; Lt. William J. Robinson, Supply Corps, United States Navy, fiscal officer; Lt. Comdr. R. W. Kirby, Supply Corps, United States Navy, issue control officer; Thomas W. Foley, organization and methods examiner; Joseph G. VanEyk, organization and methods examiner; Walter Marceli, organization and methods examiner; and Charles E. Denney, supervisor traffic management.

STATEMENT OF REAR ADM. C. H. GILLILAN, COMMANDING OFFICER, NAVAL SUPPLY DEPOT, OGDEN, UTAH

Rear Admiral GILLILAN. It isn't very often we have the honor to welcome congressional parties, therefore, it is a distinct pleasure on our part having you with us today. Not knowing what questions you might ask we prepared a brouchure consisting of questions and answers, a brief history of the United States Naval Supply Depot

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[1] Name changed to Committee on Government Operations, July 4, 1952.

Clearfield, along with a report of expenditures under the supply, maintenance operation program for the fiscal year of 1952, and have distributed the information to you.

The United States Naval Supply Depot Clearfield is part of the Twelfth Naval District and is directly under the Commandant of the Twelfth Naval District for military coordination control, and the Chief of the Bureau of Supplies and Accounts for management control. This, of course, is well known to you since the Chief of the Bureau of Supplies and Accounts goes before your congressional committee to secure funds for the operation of the depot, and we in turn go to him.

SIZE AND HISTORY OF CLEARFIELD DEPOT

The depot area encompasses 862.62 acres, and the storage area under cover contains 8,452,080 square feet. Along the 862 acres of land have been constructed 66 storehouse buildings, each of which is 200 feet wide by 600 feet long. We also have other buildings of various sizes and dimensions which are used. Our primary mission I will read to you later in my address since it is intricate, and it will be better understood if I read it to you. The depot was officially established on April 10, 1943, to accommodate a west coast storage deficiency amounting to approximately 10,000,000 square feet. The originating Bureau (The Bureau of Supplies and Accounts) requested that action be taken to obtain public funds for the procurement of land on which to locate a suitable inland supply depot. By the Secretary of the Navy's endorsement of September 7, 1942, to the Chief of the Bureau of Yards and Docks, that Bureau was directed to obtain funds and designate an officer to act as a member of the board, whose function would be to find at least three potential sites. The board convened and it was agreed that the storage space be constructed in the Ogden-Salt Lake City, Utah, area, and the initial land purchase was obtained. The predominant factors in the location of the site were: (1) The security offered from enemy attack, and (2) the gateway to two of the major western railways, one located in Ogden, Utah, and the other in Salt Lake City, Utah. Other factors considered included being equidistant from the ports of Seattle, San Francisco, and Los Angeles, which offered temporary storage of material under the in-transit privilege that affords a lower transportation cost with the privilege of a storage stop-over when desired. The Union Pacific and Denver & Rio Grande Western Railroads' freight lines connect with the depot's spur lines. The depot railroad system includes 39.7 miles of standard gage track, six Diesel electric locomotives, three locomotive cranes, and various rolling stock. The depot's rail classification yard capacity is 720 cars. Nineteen of the depot's storehouses have been equipped with dehumidifying equipment for the purpose of long-term storage of material with a minimum of preservation. The official mission of the United States Naval Supply Depot Clearfield is as follows:

(*a*) To serve as a reserve stock point for the following types of naval material: General stores, dry provisions, 55-gallon steel drums, public works material, materials-handling equipment, special electrical fittings, aeronautical stores, photographic material, electronic material, ordnance material, submarine material, Bureau of Ships components and repair parts (cognizance symbols S and H), special train-

ing devices, material under the cognizance of Bureau of Naval Personnel, and medical stores.

(*b*) To serve as a reserve stock point and distribution point for clothing (except women's clothing).

(*c*) Provide general stores to Naval Air Station, Denver, Naval Ordnance Plant, Pocatello, and other activities as directed, by the commandant.

(*d*) Serve as storage and issue point for national stockpile materials, industrial equipment reserve and other industrial machinery and equipment in reserve storage, and the metal-cutting tool reserve program.

(*e*) Store, maintain, correct as necessary, and issue hydrographic charts and publications to activities and vessels in the west coast and the Pacific Ocean area as directed.

(*f*) Assemble and store specialized components of advanced base components material as directed by the Chief, Bureau of Supplies and Accounts.

(*g*) Identify, clean, and preserve for long-term storage materials on hand. Effect minor repairs to materials in store.

(*h*) Provide maintenance and repair services to naval officers' quarters, Fort Douglas, Salt Lake City, Utah.

(*i*) Serve as minor relay center for such Western States as are assigned by the Twelfth Naval District.

(*j*) Provide storage of materials for other Government departments on a reimbursement-of-cost basis, as authorized by the Chief, Bureau of Supplies and Accounts. (In this connection, we provided the Department of the Army with 240,000 gross square feet of storage space which the Navy was not using. At the outbreak of hostilities in Korea there were a lot of machine tools in storage which were shipped to industrial plants to assist them in completing governmental contracts. As space became available, the Army expanded with the facilities the Navy made available to them, and likewise the Air Force, which means unification. One part of the Government is working with the other and vice versa.)

(*k*) Provide nontemporary storage for household goods.

(*l*) Conduct surplus property disposal functions for Army, Navy, and Air Force activities in the Salt Lake City area as directed by the Chief, Bureau of Supplies and Accounts. (This includes the two activities at Tooele Ordnance Depot, and Dugway Proving Grounds, Utah General Depot, Hill Air Force Base, and Fort Douglas, Salt Lake City, Utah.)

(*m*) Serve as a Navy personal effects distribution center.

(*n*) Provide accounting functions (stores, cost, and appropriation), payroll services (civil and military), and savings bond issuing services for the naval supply depot and activities as may be designated by Com-Twelve with concurrence of the Chief, Bureau of Supplies and Accounts. (The payroll service at the naval supply depot includes service to the Naval Reserve personnel in ROTC at the University of Utah and personnel at Fort Douglas, Salt Lake City, which eliminates the need for having similar offices in both places.)

To portray the volume of business handled by the United States Naval Supply Depot Clearfield from its establishment to mid 1952, the following information is shown: This section entails an extensive list of figures which do not mean much, therefore, I will not read it, but will insert it in the record.

VOLUME OF BUSINESS

The annual value of receipt transactions in 1949 was $95,000,000 for the full year; and for the years 1950, $112,000,000; 1951, $153,000,000; and for 7 months only in 1952 the value of receipt transactions was $118,000,000. The annual value of expenditure transactions in 1949 was $105,000,000 for the full year; and for the years 1950, $137,000,000; 1951, $167,000,000; and for 7 months only in 1952 the value of expenditure transactions was $101,000,000. The tonnage shipped and received in 1944 was 319,000 short tons out, 616,000 in; 1945, 256,000 out, 347,000 in; 1946, 87,000 out, 159,000 in; 1947, 82,000 out, 123,000 in; 1948, 58,000 out, 94,000 in; 1949, 39,000 out, 90,000 in. In 1950 we shipped 46,000 short tons and received 40,000 whereas after the outbreak of hostilities in Korea by 1951 we had shipped 59,000 and received 86,000.

PERSONNEL STRENGTH

Our personnel strength has varied during the years. In June 1945 our peak employment was 6,159, and from that figure we decreased to 2,590 in March 1950. Today we have 3,350, with a further reduction directed to be reached by October 15, 1952, of 3,264. The maintenance figures show you what the depot has assumed, and what it is doing without an increase. In 1950 the total personnel on board was 2,590, and our civil-service ceiling was 2,700. In August 1950 our personnel increased to 2,847, and in October 1950, the total personnel was 2,872. In January 1951 the highest was 3,372, but in May 1951, even with additional workload, we were reduced to 3,350. By October 1952 we will be further reduced to 3,264. In the meantime we have taken on additional responsibilities. There is a heavy workload incident to our acting as west coast distributor for hydrographic material. Hydrographic alone requires 128 of our employees. We have our cost-consciousness program going too. It is true, and you will realize, that our people are assuming additional workloads, and we are now getting a good day's work for a good day's pay.

MACHINE TOOL PROGRAM

During this address on our mission and workload, I want to mention one other duty we have here at NSD on which we prepared a report for you. The Government has saved millions of dollars and man-hours through our industrial reserve machine tools program, which requires placing tools in an A–1 condition or a state of preservation for long-time storage. After World War II, the Pacific Fleet was put in mothballs. At Spokane, Scotia, Mechanicsburg, and at Clearfield we put tools of industry in a mothball condition, and now we have them. Without this program, it would be impossible today for the Ford Motor Co., General Motors, or any of the others, to be in a position to assume defense contracts. We have issued 1,331 tools under the cognizance of BuAer, 761 under BuShips, 21 to ONR, and 39 to BuOrd, or a total of 2,172. At the beginning of the campaign on August 8, 1950, we had 6,198 in storage and issued 2,172. Our balance as of today is 4,925. Every day we get dispatches from cognizant bureaus and requests from private industry, who have visited our

warehouses, requesting certain tools or items they may be able to use in connection with Government contracts. It is a foresight that has not been equaled by any country in the world. I dare say you wouldn't be able to purchase deep freezes, etc., from commercial companies today if we had not put these tools in mothballs.

I now call on one of our leading supervisors, Thomas W. Foley, of the Management Control Division, Planning Department, to offer an address.

STATEMENT OF THOMAS W. FOLEY, MANAGEMENT CONTROL DIVISION, PLANNING DEPARTMENT, NAVAL SUPPLY DEPOT

Mr. FOLEY. Mr. Chairman, Admiral, and distinguished guests, I shall very briefly explain the United States Naval Supply Depot, Clearfield, organization structure, using this chart as an aid. As Admiral Gillilan stated, the depot is under the military control of the Commandant, Twelfth Naval District, and under the management control of the Chief, Bureau of Supplies and Accounts, Washington, D. C. Admiral Gillilan is at the head of the depot organization as commanding officer. He is responsible to the commandant and Chief of the Bureau of Supplies and Accounts for carrying out policies and procedures as directed. Admiral Gillilan is assisted by Captain Blick, the executive officer, who supervises operations of the depot to make certain we are following the policies as prescribed. We have two special assistants to the commanding officer and the executive officer, namely, the technical information officer, and the legal counsel. We have the planning council which meets once a week, consisting of heads of departments, and the more important divisions and branches, who assist the commanding officer in determining policy. We have the Hydrographic Department which provides liaison services between the depot and the Navy hydrographer at Washington, D. C. The Planning Department is an advisory department assisting the commanding officer in performing staff work for the command. It consists of three major divisions, War Plans, Management Control, and the Statistical Division. These divisions continually survey the depot to determine the effectiveness of its operations. This is carried out in conjunction with various department and division heads.

The Administrative Services Department acts as a common service agency for the depot. It consists of the Communications Division which handles all telegraphic communications and telephone services; the Military Personnel Division which maintains records for military personnel, officer and enlisted; and the Security Division with its police and fire sections whose functions are well described by their titles.

Machine Records provides electrical accounting machine services to stock control functions and serves other functions, such as civilian employment recording, and Fiscal.

The Industrial Relations Department provides recruitment service, personnel relations service, safety, and training.

The function of the Fiscal Department which again is described by its title, maintains accounting records for all expenditures of the depot. It contains also a disbursing function for this and other naval activities in this vicinity, such as Navy recruiting personnel

at Fort Douglas, and the Naval Reserve personnel in ROTC at the University of Utah.

We have our medical department which gives physical examinations to civilian personnel, and cares for military personnel and their dependents.

The public-works department provides for the maintenance of buildings, streets, grounds and utilities, and transportation facilities of the depot. The major department of the depot performing the primary function of receipt, storage and issue of materials, and serving the purpose for which the depot was established, is the operations department consisting of two principal and four other divisions. The control division covers the clerical field in supply, and the material division handles the physical phase of movement of material. The control division is broken into four segments, stock control, receipt control, issue control, and procurement. The material division consists of the traffic branch, storage branch, packing and preservation branch, hydrographic branch, and the labor and equipment branch. Two additional important divisions serve under the operations department, namely, the technical division, which provides technical service as stock identification and interpretation, and the inventory division which physically inventories the stock at this command annually. The remaining divisions under operations are: The disposal division which serves not only this depot but also military installations outside in this vicinity, and the personal effects division which receives and accounts for personal effects of deceased and missing naval personnel for the entire Navy, and handles the effects of stragglers and deserters.

We also have at this command two subordinate commands: Marine barracks which provides perimeter security service, and the naval barracks which is responsible for the welfare, discipline, and maintaining such records for naval enlisted personnel located at this activity.

Mr. BONNER. We certainly appreciate this visit to the Naval Supply Depot Clearfield, Admiral Gillilan, and for the benefit of the gentlemen present who may not know the names of the people constituting our committee, I introduced to you: Mrs. Harden, of Indiana; Mr. Holifield, of California; Staff Representatives Thomas A. Kennedy, Ray Ward, and Herbert Roback. The other members were not able to make the visit. We came to Ogden to study the simplified accounting system being tested at the Utah General Depot, Department of the Army, and are happy to have the opportunity to learn something about your operation at the naval supply depot, however, we did not prepare a schedule for the conference. We are interested in hearing anything pertaining to the depot.

Rear Admiral GILLILAN. That's very kind of you, we appreciate it very much.

Mr. BONNER. We are interested in the Navy and the operation of your depot.

Rear Admiral GILLILAN. I have two other men who are prepared to give an address, would you like to hear them?

Mr. BONNER. We would be delighted.

Rear Admiral GILLILAN. Mr. J. G. Van Eyk, of the management engineering branch, planning department, will talk to you on cost consciousness.

STATEMENT OF J. G. VAN EYK, MANAGEMENT ENGINEERING BRANCH, PLANNING DEPARTMENT, NAVAL SUPPLY DEPOT

Mr. VAN EYK. Admiral Gillilan, distinguished guests, I have been asked to discuss for a few minutes what the depot has done in continual effort to operate more efficiently. We have had in operation for some time a cost-consciousness program. Admiral Gillilan, our commanding officer, took the attitude that we could further instill in the minds of our people an attitude of cost-consciousness. With that in mind he authorized us to set up a special training program. The first phase consisted of 3 one-hour sessions devoted more or less to supervisory personnel, who in turn carried the message down to the people actually performing the work. Approximately 160 supervisors attended the first training session, and thereafter they carried the message to the working level in the best way possible. Our next approach was to conduct a cost-conscious slogan contest. This program was financed by the civilian employees association, and the contest lasted 5 weeks. Each week three $5 prizes for the three best slogans were awarded. At the end of the 5-week period, we selected the choice slogan for which an award of $50 was made to the winner. You may be interested in knowing that the lucky entry was "Saboteurs Never Die—They Just Waste Away." All of the remaining prize-winning slogans are placed on the official bulletin boards throughout the Depot to remind our employees of the fact that we must remain cost-conscious. If we review the fact that 450 entries were submitted in the contest, that there are some 3,252 people on board, and assuming each slogan was submitted by a separate employee, we attained approximately 13 percent participation in this program.

The third phase was to carry cost-consciousness to all of our employees. We felt that if we brought the message directly to our people, and gave them time off from their work to do it, it would further instill in them an important psychological effect—they would surely realize that being cost-consciousness was very important. During the program two brief lectures were given and a film was shown which we borrowed from the Army, entitled "Economy is Everybody's Business." During the entire cost-consciousness program we have emphasized one particular thought and that is the responsibility for the conservation of manpower, materials, and money—the responsibility to be ever conscious of cost rests with each individual. The worker himself, is the person who can actually carry the program forward and give us the results we are attempting to achieve.

You may ask about the worth of the program and our answer to this is that we feel it is very worth while.

Through our beneficial suggestion and methods-improvement programs our employees have submitted hundreds of worth-while suggestions, and by the way we are not intending to place the cost-consciousness program in moth balls either, we have many ideas which are in the development stage, and we are going to continue to hammer home cost-consciousness. For the benefit of those who may not be familiar with our incentive programs I might add that the beneficial suggestion program is Navy-wide and for approved suggestions submitted on any subject the employee receives a cash award commensurate with the worth of his recommendation.

The methods improvement program is slightly different in that it is sponsored by the Bureau of Supplies and Accounts and through it the employee is encouraged to improve his own individual work operation. If savings are achieved the suggestion is tied in with the beneficial suggestion program and the employee receives a cash award.

The commanding officer has signed 516 letters of commendation since the inception of the program a year ago. Out of the recommendations that were submitted 256 were actually accepted and about 280 had to be rejected for one reason or another.

To give you an idea as to how the programs have expanded: In 1950, 106 persons submitted methods for improvement and $265 bonuses were awarded, the savings to this depot amounted to approximately $2,567. Through the inception of the methods-improvement program, cost-consciousness program, etc., the figures jumped in 1951. In 1951 we had 282 people who submitted suggestions and bonuses awarded amounted to $5,500. The net savings to this activity approximated $148,000. In 1952, we have already received over 400 recommendations, and we have paid out almost $7,000 in bonuses. The savings for this depot is approximately $200,000.

One other phase I have been asked to comment on, in order to give you an idea as to how we attempt to operate more efficiently is the fact that we have a management engineering staff, consisting of four or five organization-methods examiners, who devote all of their time assisting supervisory personnel in the operation of their various organizations throughout the entire depot. The schedule is maintained on an annual basis and we spend 2 or 3 weeks with each organization throughout the depot evaluating operations, offering recommendations and constructive criticisms. In that manner we are able to assist each organization in their operations. We take the attitude that many times the supervisors are primarily interested in production, and they do not have time to sit down and think of ways and means to operate more efficiently, and in this way we have been able to provide unmeasurable assistance. Thank you.

Mrs. HARDEN. Mr. Chairman, I would like to thank Admiral Gillilan and these other gentlemen for their fine statements. I would like to know, are there any Waves stationed here?

Rear Admiral GILLILAN. Not at the moment. Waves were stationed here during the war. Our military personnel are quite limited in number. We have a few mess men, a few in the hospital branch, and about six others. We also have about 68 Marine Corps personnel.

Mrs. HARDEN. I wish to congratulate you on your 100 percent participation in War Savings bonds and your excellent stafety record.

Rear Admiral GILLILAN. Thank you kindly. For five consecutive years the depot has earned the Secretary of the Navy award for its achievement in safety, and we don't want to spoil that record. We are well along in the sixth year and it is lower than any previous time in the history of the depot. We may get the national award. There are very few in the military who have the national award.

Mr. ROBACK. I notice the figure for the value of issues. Apparently this value of issues is transfer of material from the depot?

VOLUME OF INVENTORY

Rear Admiral GILLILAN. Yes, sir. The current value of our inventory is about $574,000,000.

Mr. HOLIFIELD. Does that figure reflect the operations of a reserve supply center, or is that figure comparable to other naval supply centers?

Rear Admiral GILLILAN. Lieutenant Commander Kirby can tell us the answer to that question as he is in charge of the Issue Control Division.

STATEMENT OF LT. COMDR. R. W. KIRBY, SUPPLY CORPS, USN, ISSUE CONTROL OFFICER, NAVAL SUPPLY DEPOT

Lieutenant Commander KIRBY. I believe our ratio of issues would be a little lower in relation to our inventory inasmuch as we are a reserve supply point.

Mr. HOLIFIELD. Then, at a consumer activity, stocks turn over more rapidly.

Mr. BONNER. Are there any other questions, Mr. Ward?

Mr. WARD. Not now.

Mr. KENNEDY. Originally this depot was set up to provide for a west coast storage deficiency in 1943, I understand. Does that continue as of the present day? For instance they are conducting storage space tests at Alameda. Would the success of those tests eliminate to any extent the need for your storage facilities?

Rear Admiral GILLILAN. I dare say no. Don't see how it could involve us. We are on a stand-by basis. At the time of the original authorization for the construction of this depot most of the west coast industrial firms were located in San Francisco or Los Angeles. It was thought that these areas might be prime targets for enemy aircraft, and an inland supply depot was needed to back them up in case they were attacked.

Rear Admiral GILLILAN. We have one other speaker, Mr. Chairman, Mr. Walter Marceli, of the Statistical Division, Planning Department, will talk to you on our management improvement program.

STATEMENT OF WALTER MARCELI, ORGANIZATION AND METHODS EXAMINER, NAVAL SUPPLY DEPOT

Mr. MARCELI. Admiral, Chairman, and distinguished guests. Mr. Van Eyk talked to you on our beneficial suggestion program, methods improvement program, and the cost consciousness program. I want to talk to you about the management improvement and work performance programs. All our programs have one common objective, and that is to provide the best possible service to the fleet with the least possible cost in the shortest possible time. Our programs are different roads leading to this objective. The methods improvement program has made the people think.

In December 1951, we received instructions from the Bureau of Supplies and Accounts to install a management improvement program. We appointed a committee consisting of six officers and top civilian supervisors supplemented by monitors who are the top civilian supervisors of various activities. Each monitor prepares a guideline to indicate in what areas improvement can be made. Those guidelines are based on the basic guidelines designed by the Management Improvement Committee. The guidelines of the six-man committee were on matters of personnel utilization, equipment and material

utilization, procedures, organizational structure, and various matters of that sort. At the end of a 3-month period the monitors submit the lists of guidelines prepared for their activities and also answers to these guidelines.

An example of one of the things the program accomplished was: In the Traffic Branch the movement of empty cars and loaded cars proceeding to the same area was not coordinated, they didn't proceed simultaneously. This was revealed through the guideline for the Traffic Branch. Now these cars are being moved simultaneously. The work measurement program establishes a relationship between man-hours expended and work units accomplished. Under this program we continually try to improve our work progress by obtaining more work units for each man-hour. The work measurement program is tied in with our budgetary requirements.

Every 3 months we require a certain amount of money in the operation of the depot. We say that we require a certain amount for the salaries and a certain amount for material. We tell our Bureau that we expect to perform a certain number of work units and on the basis of past experience we will require so many people to do the job. The Bureau in turn submits a request for funds to higher headquarters in the Navy Department. Periodically we discuss this work measurement criteria with the people concerned on the progress they are making. We discuss this from a personal angle and tell the individual employee why it is up to him to do a better job, and to produce more. If he does not do that there is a possibility of less work here.

In this respect I invite your attention to the second item of this sheet, concerning the management improvement program and to the last item concerning comparative work performance measurement data. By this comparative measurement data we are able to compare ourselves with the accomplishments of other activities or other installations. Most nearly comparative to Naval Supply Depot Clearfield, is the naval supply depot at Mechanicsburg, Pa. Every month we compare statistics from Mechanicsburg, Pa., to ascertain whether we did better or worse. We do not go overboard on these comparisons. There are too many unknown factors in the make-up of work measurement reports. For example Spokane does not have a mechanized stock-control procedure. We do. We should therefore do more in the way of stock-control functions. Sometimes different installations have different interpretations of the work unit. Another item of interest in the pamphlet is the comparative operating cost figures throughout several fiscal years. That is all I have.

Rear Admiral GILLILAN. Thank you very much Mr. Marceli.

Mr. BONNER. Any questions?

Mr. HOLIFIELD. Are you doing anything on the cataloging program?

Rear Admiral GILLILAN. No, not yet. However, we sent a representative back to the Cataloging Office in——

Mr. HOLIFIELD. There has been no attempt on your part to establish uniform identifications for commodities here?

Rear Admiral GILLILAN. Oh, yes. Our Technical Division draws up blueprints and plans which are referred to the Cataloguing Office for proper identification.

Mr. HOLIFIELD. We understood the Navy was putting into effect a program throughout their installations for screening supplies to

eventually obtain uniform identification. We are keenly interested in this program for eliminating duplicate stocks of similar items.

Rear Admiral GILLILAN. The elimination of duplicate items? We are very definitely interested, we are quite strongly interested.

Mr. WARD. Do you have any unidentified property as a result of the last war?

SHORTAGE OF PERSONNEL

Rear Admiral GILLILAN. Very little. Due to a shortage of personnel we haven't been able to clean it up as rapidly as we would like. We plan on completing this program by June 1, 1953.

Mr. BONNER. Do you function as salvage disposal agency for all services? How do you conduct that?

Rear Admiral BILLILAN. By bid sales. Through bid sales, sealed bids, scrap sales.

Mr. BONNER. What size is that organization?

Rear Admiral GILLILAN. Twenty-three people and two officers.

Mr. BONNER. Are you moving quite a bit of material?

Rear Admiral GILLILAN. Not too much; however, it is a good, steady program.

Mr. HOLIFIELD. What happens to the money received from the sales of this surplus—create miscellaneous receipts?

Rear Admiral GILLILAN. Received from the Army?

Mr. HOLIFIELD. Yes.

Rear Admiral GILLILAN. It goes back to the Army and into the Federal Treasury.

Mr. BONNER. What duplicated items do you have in your general stores compared with the Army depot?

Rear Admiral GILLILAN. The only duplication is in housekeeping and maintenance items. In terms of money value, what does this amount to, Lieutenant Robinson?

STATEMENT OF LT. WILLIAM J. ROBINSON, SUPPLY CORPS, USN, FISCAL OFFICER, NAVAL SUPPLY DEPOT

DUPLICATION WITH ARMY DEPOT, OGDEN

Lieutenant ROBINSON. I would say approximately $50,000,000.

Mr. BONNER. Common-use items?

Lieutenant ROBINSON. Yes, sir.

INVENTORY TURN-OVER

Mr. BONNER. What is the inventory here or turn-over on common-use items? In terms of issue, and terms of use?

Rear Admiral GILLILAN. In view of the fact that a reserve stocking point is under the sole jurisdiction of the cognizant bureau, it does not fully represent the turn-over of maintenance items.

Mr. BONNER. The inventory is mostly reserve and not for direct use?

Rear Admiral GILLILAN. That is true. For instance when the Navy buys dry provisions, the Army actually procures them. A year's supply might be brought in and moved out in 6 months. The turn-over for this category is well within the year.

Mrs. HARDEN. Do you perform any program functions for other services, a program on oil, gasoline?

Rear Admiral GILLILAN. No, sir. Purchases were small.

SUPPLYING ALAMEDA MEDICAL TEST

Mrs. HARDEN. On June 30, the Army took over the medical supply function on the west coast. Did that affect medical stores at Clearfield?

Rear Admiral GILLILAN. They were already here in warehouses assigned to the Bureau of Medicine and Surgery.

Mrs. HARDEN. Do the medical supplies go straight to Oakland or to Alameda?

Rear Admiral GILLILAN. Either one.

Mrs. HARDEN. Which one, do they go to both? The test run is at Alameda, do they go from here to Oakland or direct?

Rear Admiral GILLILAN. They go direct, do they not Mr. Denney?

Mr. DENNEY. They go direct.

SPACE UTILIZATION

Mr. ROBACK. Referring to the statement contained in the question and answer brochure, in relation to the answer, I wonder if you would elaborate on the answer, since it appears you would have adequate space for storage of Army and Air Force stocks. The storage situation as of 31 July 1952, indicates that 54 percent of the space allocated to the Bureau of Supplies and Accounts is occupied. It would appear that you could stock and issue material for the Army and Air Force.

STATEMENT OF COMMANDER F. E. JOHNSTONE, SUPPLY CORPS, USNR, CONTROL DIVISION OFFICER, NAVAL SUPPLY DEPOT

Commander JOHNSTONE. I will elaborate since I answered that question. The three principal services do not use the same stock numbers for the same items, therefore, the Air Force might request a broom by the Air Force stock number, but the Navy would not have it by that particular number. We have a problem in that respect. Ultimately if it was under one stock number the Navy could easily stock it, check the one stock number coming in from a particular source, and there would be only one stock number for the three services. We don't even approach using the same forms where requisitions are concerned, or the same method of requisitioning. That also had its bearing in answer to that question. If we tried to issue anything under the existing circumstances at the present time we would have to be set up to handle three different sets of stock numbers.

Mr. BONNER. Along this line, is there any reason why the Air Force, Army, and Navy could not have the same stock number for similar items?

Commander JOHNSTONE. There is no good reason at all.

Mr. HOLIFIELD. The committee is interested in the Federal cataloging program. We have approximately 2,000 people employed back there by the Munitions Board, and we are surprised that there is not more enthusiasm at this activity.

Commander JOHNSTONE. We are enthused. The work for general stores material is being done in the General Stores Supply Office at Philadelphia, on an active basis.

Mr. HOLIFIELD. The results of their work will be applied to this level?

Commander JOHNSTONE. Yes, sir.

NEED FOR UNIFORMITY OF FORMS AND PROCEDURES

Mr. WARD. The last report made by this subcommittee recommended uniformity with respect to forms, procedures, and so forth. Are you in accord with that?

Commander JOHNSTONE. Yes, sir; very definitely.

RESPONSIBILITY OF DEPOT COMMANDER

Mr. WARD. We were in Bayonne over a year ago, and while there we talked to the officer in charge of the depot. We asked what control he had over the stock that came in, and the stock that went out. What is the situation here?

Commander JOHNSTONE. We are practically in the same position as the Utah General Depot. The supply demand control point controls movement in and in most instances movement out. Ships parts for the naval supply depot are received from the ships parts control center (a supply demand control point), which is a component of Naval Supply Depot, Mechanicsburg, for all repair parts for ships, big and little. They send in to us at Clearfield stocks which our stock reports indicate are necessary to carry out the mission of this base. Other activities and consumer ships in the fleet merely send their requisitions direct to us. This is the prime issuing point west of the Mississippi River and the only issue function that is handled on this basis through our depot. Everything else is sent to us at their direction (supply demand control point), and issued out only on their order.

Mr. WARD. The point I want to make is—you don't have control of the shipping function?

Commander JOHNSTONE. That is right.

Mr. WARD. Do you handle material for the Army and Air Force?

Commander JOHNSTONE. That would be one advantage only for the existing differences in stock numbers.

Mr. WARD. You are able to serve them as well as the Navy?

Commander JOHNSTONE. We could carry forward if all services did have stock number unification. The ideal thing would be if all services had the same stock numbers for the same material we could issue to any other service and they could do the same identical thing for us.

UTILIZATION OF SPACE

Mr. ROBACK. You have 54 percent of utilization of your warehouse capacity?

Rear Admiral GILLILAN. Fifty-four percent general stores only. On an over-all basis the utilization is closer to some 80 percent at the present time.

Mr. ROBACK. I refer to the Bureau of Supply and Accounts. You are handling almost 90 percent as indicated in the brochure (Appendix I, p. 3). Figures for other bureaus from 52 percent up to 80 percent for BuShips now occupying space.

Rear Admiral GILLILAN. A lot is being reserved for known incoming stock. The 54 percent may change next week to 65 percent. We buy seasonally and are in the midst of the canning season.

RESERVES OF NAVY CLOTHING

Commander JOHNSTONE. Another case that is interesting—the Bureau of Supplies and Accounts have a Navy clothing prgoram. We were taken out of distribution on clothing now we are back into clothing. We are building up four storehouses completely filled with Navy clothing. A year ago only 20 percent of the space was occupied. Full allocations were based on known in-bound movements.

Mr. ROBACK. Are those reserve stocks?

Commander JOHNSTONE. Yes, sir, nothing else but.

Rear Admiral GILLILAN. The naval clothing factory in Brooklyn directs shipments to us and then we ship to Oakland as required for use on vessels by the fleet. We are much closer to Oakland.

Mr. ROBACK. I suggest the relevant portions of this information be incorporated in the record of this meeting.

Mr. BONNER. We did not bring our reporter along, Admiral Gillilan, and we would appreciate it very much if we may have a copy of the record of this meeting when the record has been prepared.

Rear Admiral GILLILAN. Yes; we shall be glad to take care of it.

Mr. HOLIFIELD. Are you familiar with the medical tests at Alameda?

Commander JOHNSTONE. Only superficially.

Mr. HOLIFIELD. You have no opinion of its success?

Commander JOHNSTONE. No, sir.

Mr. HOLIFIELD. Are the storage of medical supplies at this depot a bulk reserve operation?

Rear Admiral GILLILAN. The medical stocks held here are on the books at Oakland and they control movement of that material.

Mr. HOLIFIELD. Do you see any reason why the tests would not be successful?

Commander JOHNSTONE. Not offhand.

One item that will be of interest to you from the standpoint of stock number simplification, which is a big thing in the Navy. It deals with bearings. Up until approximately a year ago the individual bureaus of the Navy were responsible for stocking their own bearings for their own particular equipment, under their own stock numbers. Ninety percent of the bearings were found to be interchangeable. The bearings are now controlled by the General Stores Supply Office and stock numbers are uniform.

Mr. HOLIFIELD. That is encouraging. One thing we learned from the Hoover report was the extensive duplication of stock numbers for the same material.

Commander JOHNSTONE. Every manufacturer used to have their own stock numbers.

Mr. HOLIFIELD. You are gradually finding these different stock numbers and combining the stock physically. Then when you reorder you are eliminating the reordering of duplicate numbers.

Mr. WARD. After eliminating the nonstandard numbers in your stock how do you reorder that number, by cross reference?

Commander JOHNSTONE. That is right.

Rear Admiral GILLILAN. It is part of the function of our Technical Division through their research library to clear up Navy stock numbers and make appropriate cross reference.

Mr. HOLIFIELD. Referring to our discussion on the bearings, is that bearing packaged and identified by the new naval stock number, or by the manufacturer's old number?

Commander JOHNSTONE. It is repacked and renumbered by the new number.

Mr. HOLIFIED. Are there any objections from the suppliers?

Commander JOHNSTONE. No, sir. By having a standard stock number any activity's business could be spread out.

Mr. HOLIFIELD. It certainly simplifies things.

Mr. BONNER. Any further questions?

REPORTER. No questions.

Mr. BONNER. Thank you very much Admiral, we didn't know that we would be received so graciously and we certainly appreciate it.

Rear Admiral GILLILAN. Thank you, Mr. Bonner, and now we have arranged a tour of the depot for you and your party.

Mr. BONNER. That is fine but we will not get out of the automobile, we will just drive around the depot. We will not be able to go into the storehouses.

Rear Admiral GILLILAN. Very well.

(Whereupon the hearings were officially closed.)

(Ogden exhibits 2 and 3 follow:)

OGDEN EXHIBIT 2

UNITED STATES SUPPLY DEPOT CLEARFIELD, OGDEN, UTAH

QUESTION AND ANSWER PAMPHLET

Question. What is the Navy supply-management system?

Answer. To make accessible vast quantities of material required to supply the Navy, Bureau of Supplies and Accounts, under the direction of the Secretary of the Navy, and in cooperation with other Navy Bureaus, has established stocks of material at various continental and extracontinental activities. These may be activities whose prime mission is supply, or supply departments of activities with other primary missions. Stocks of the larger supply points are generally replenished by supply-demand control points. These larger supply activities replenish the stocks of the smaller supply points. Material under the cognizance of all Bureaus is channeled through their supply outlets. Bureau of Supplies and Accounts has complete responsibility, exercised through the Bureau or a supply-demand control point. Material is broken down into two major accounts: (1) a revolving fund, the Naval stock fund, in which common items in common demand throughout the Navy are procured and actually sold to the requiring activities, charging appropriated funds; and (2) the other broad category of material, which is the appropriation purchase account. They are appropriated funds, and material carried in that account has been paid for by the purchasing activity, one of the Navy Bureaus. These are generally the two accounts in which we carry material. The former is a continuing revolving fund, including general stores, inclusive of clothing. The other is the appropriation purchase account, which are the appropriated funds of the various Bureaus, and from which the procurement of special materials, such as automobiles, equipments, and so forth, are procured as direct charges to the appropriations. In both accounts there is an accounting both by the Bureau of Supplies and Accounts and its field activities.

1. Navy supply-management system

Question. What is the inventory value of stocks in store at Naval Supply Depot Clearfield? How many items?

Answer:

Inventory by accounts as of July 31, 1952:

Appropriation purchase account	$493,037,507.00
Navy stock account	81,585,272.42
Ships' construction material account	81,403.65
Total	574,704,183.07

Total number of items in store:

Appropriations purchase account	263,325
Navy stock account	22,027
Ships' construction material account	50
Total	285,402

2. Inventory value of stocks in store at Naval Supply Depot Clearfield, and number of items

Question. What was the value of issues made by Naval Supply Depot Clearfield during the past year?

Answer. During the fiscal year 1952 the value of issues made by this depot was as follows:

Appropriation purchase account	$53,521,262.91
Navy stock account	23,419,574.98
Ships' construction material account	69,659.91
Ships' material account	7,180.94
Total	77,017,678.74

3. Value of issues during the past 12 months

Question. Are items in store similar to items carried by the Army Quartermaster?

Answer. It is estimated that of the general-store material in store, approximately 90 percent is similar to items carried by the Army Quartermaster.

4. Percentage of items in store similar to Army Quartermaster stock

Question. Are any cross-servicing agreements in effect locally?

Answer. The following cross-servicing agreements are in effect locally:

Current

INSTALLATION	PURPOSE
Hill Air Force Base	Remove pits from grinding ways on external grinding machine.
Do	For services of one teletype maintenance technician to inspect and make necessary repairs to teletype equipment.
Naval Supply Depot Clearfield	To make available to the Department of the Army 240,000 gross square feet of general-duty covered storage space.
Fort Douglas	For the collection of garbage and the removal of snow from the thoroughfares in the naval officers' quarters area at Fort Douglas.
Hill Air Force Base	For chemical laboratory professional services and analyses requested by this depot.
Do	For the processing of exposed photographic material.
Do	To perform emergency repairs on one electric cipher machine as requested.
Naval Supply Depot Clearfield	Utilization of 120,000 gross square feet of covered storage space at Naval Supply Depot Clearfield for temporary storage of special Air Force program materials for a period not to exceed 6 months.

(The below-listed programs are now being studied to determine if services are avilable at other defense installations in order that the services offered by the use of a cross-servicing agreement can be fully utilized.)

Proposed

INSTALLATION	PURPOSE
Hill Air Force Base	Reclaim approximately 15,000 gallons used solvent.
Utah General Depot	Respool approximately 18,000,000 feet cable, wire, rope, etc.
Hill Air Force Base	Minor repairs to film projectors.

(The following subjects have been explored to determine whether cross-servicing facilities were available.)

Exploration

INSTALLATION	PURPOSE
Ogden Arsenal	Inspection and/or rehabilitation of small arms and Infantry equipment.
Utah General Depot	Renovation, cleaning, and marking of Naval Reserve clothing.

(The following cross-servicing agreements were completed during fiscal years 1951 and 1952.)

Completed

INSTALLATION	PURPOSE
Ogden Arsenal	Repair and calibrate two Cummings fuel pumps for an 80-ton General Electric Diesel locomotive.
Do	Degreasing, sand-blasting, and phosphatizing of 4,000 .22-caliber rifles.
Do	Recharge and perform hydrostatic test on 96 fire extinguishers.
Hill Air Force Base	Repair photo-record camera by replacement of shutters and other incidentals.
Ogden Arsenal	Repair one F. W. Shrader electromagnet, 48 inches.
Hill Air Force Base	For personal services and material required to supply shredded paper at a rate of approximately 5,000 pounds per month.
Naval Supply Depot Clearfield	Furnish gas, oil, and necessary preventive maintenance and emergency repairs to automobiles assigned to the Twelfth Engineer Company, U. S. Marine Corps Reserve, Ogden, Utah.

5. Cross-servicing agreements:

Storage situations as of July 31, 1952

COVERED

Bureau	Total allotted	Net usable	Occupied	Percent occupied
Bureau of Supplies and Accounts	1,953,684	1,519,628	819,440	54
Bureau of Aeronautics	990,549	752,020	393,734	52
Bureau of Ordnance	604,611	467,981	365,758	78
Bureau of Ships	2,779,011	2,046,598	1,481,972	80
Bureau of Docks	58,162	45,850	25,282	55
Bureau of Personnel	9,680	7,800	6,262	80
Bureau of Medicine	482,535	373,898	298,551	80
Hydrographic	141,339	107,983	82,000	76
Office of Naval Research	2,375	2,160	1,550	72
General Services Administration	128,293	90,805	90,805	100
U. S. Air Force	115,901	91,466	37,100	41
U. S. Army	232,580	180,406	158,820	88
Depot operations	498,080			

OPEN

Bureau of Supplies and Accounts	1,253,740	912,066	92,033	10
Bureau of Aeronautics	2,300	2,130	756	35
Bureau of Ordnance	78,910	71,530	59,260	83
Bureau of Ships	314,330	249,526	71,846	29

6. Storage situation as of July 31, 1952.

Do you have any new construction contemplated? If so, name projects.

Answer. Fiscal year 1953 and fiscal year 1954 proposed projects are as follows:

Project title	*Estimated cost*
Covered storage for busses and other passenger equipment	$24,000
Centralized air compressor unit, D–2 and D–3	35,500
Alterations and additions to fire station No. 1, building No. 3	3,000
Construct 6 garages for the bachelor officers' quarters	6,000
Additions to security building	30,000
Construction of shipping shed	800,000
Erection of 2 test, packing, and preservation buildings	2,400,000
Construction of a security storage building	360,000
Installation of lights, secs. 2, 3, and 4 of E–12 and F–12	35,000
Construction of quarters for 2 civilians	38,000
Construction of storehouse for inflammables	1,200,000
Gas generating plant, test unit, D–2	51,200

7. New construction contemplated.

What is the degree of expansion since June 1950 (space occupancy, issues, personnel)?

Answer:

Personnel:	
Total depot:	
June 30, 1950	2,578
July 31, 1952	3,255
Issues:	
Line-item total:	
Period May 14 through June 10, 1950	26,227
June 1 through June 30, 1952	130,307
Space occupied:[1]	
June 30, 1950:	
Covered, total square feet[2]	4,053,282
Open, total square feet	725,873
June 30, 1952:	
Covered, total square feet	3,773,781
Open, total square feet	223,895

[1] Breakdown by bureau cognizance shown on reverse hereof.

[2] Decrease of total space occupied is indicative that the rate of material shipped during period was far in excess of receipts into store.

Cognizance	June 30, 1950		June 30, 1952	
	Covered	Open	Covered	Open
GSM	644,727	406,646	419,278	92,033
Clothing	228,487	0	225,854	0
Provisions	4,000	0	135,548	0
Bureau of Ships	415,978	40,187	446,046	31,481
Electronics	364,305	59,865	391,197	6,500
Ships' parts	741,902	41,099	640,146	33,865
Aviation	560,183	4,200	393,734	756
Ordnance	358,511	111,460	365,798	59,260
Medical	258,677	0	298,551	0
National stockpile	8,300	0	90,805	0
Bureau of Personnel	278,708	62,416	6,282	0
Metal-cutting tools	14,538	0	19,700	0
Army	176,966	0	158,620	0
Air Force	0	0	37,100	0
Bureau of Yards and Docks	0	0	25,282	0
HHE	1,000	0	39,760	0
Hydrographic	0	0	82,000	0

8. Degree of expansion of depot activity since July 1950

Question. Have you taken into store repurchased surplus material? Specify.

Answer. Former Government surplus materials have not been repurchased by Naval Supply Depot Clearfield and taken into store. However, records reveal in one instance certain surplus tools and spare parts, required to recondition "roll-back" 6 by 6 GMC cargo carriers and provide "spare parts kits" were purchased in APA, from Bucks' War Surplus Stores about 4 years ago. Material required repair prior to being shipped out and parts could not be procured on the open market.

9. Repurchased material taken into store.

Question. Who is responsible for shipments in and out of this depot?

Answer. Generally the controlling bureau or supply-demand control points control the shipments into this depot, except a small quantity of material required for depot use.

Responsibility for outbound shipments rests with the Operations Department of the depot, particularly the Traffic Branch. Outbound movements are the result of either shipment orders from the supply-demand control point or cognizant bureau, or from request documents from other naval activities or vessels throughout the entire Naval Establishment.

10. Responsibility for shipments in and out of the depot.

Question. Is the movement of in-bound and out-bound shipments coordinated?

Answer. In-bound and out-bound movement of material is not coordinated directly; however, there is an indirect relationship between the two types of movement in that stock status reports showing replenishable demand, stocks on hand and due are reported to the appropriate supply-demand control point or cognizant bureau in order that replenishment action may be taken where required to maintain stock levels.

In the actual movement of carloads in and out, there is no coordination affected. If available, loaded cars in-bound, when emptied, are utilized for out-bound shipments.

11. Coordination of movement of in-bound and out-bound shipments.

Question. Could you store and issue Army and Air Force items?

Answer. Army and Air Force items could be stored and issued if space were available and if complete knowledge of the requisite Army and Air Force systems were available, together with personnel required to perform that operation.

In this connection, space has been allocated at this depot by the Bureau of Supplies and Accounts to the Army (240,000 square feet) and the Air Force (100,000 square feet) under the cross-servicing agreements. (See Number 5.) However, receipt, storage, and issue of that material is handled by personnel of the cognizant service.

12. Storing and issue of Army and Air Force items.

Question. What is the depots' relationship to Ships Parts Control Center Mechanicsburg?

Answer. The relationship is that Naval Supply Depot Clearfield serves as one of two reserve stock points in the ships parts supply system and the Ships Part Control Center Mechanicsburg is the supply-demand control point for that type of material.

13. Relationship of Naval Supply Depot Clearfield and Ships Parts Control Center Mechanicsburg.

Question. Are requisitions screened; if so, for what purpose?

Answer. Requisitions are screened for two reasons:

(*a*) By the Fiscal Department to verify accounting information and invoicing data.

(*b*) By the Issue Control Branch to check for the accuracy and completeness of data other than accounting information, and to determine when special issue instructions are applicable. In addition, they are screened to determine if reimbursement for the material, packing, handling, and transportation charges are required; if routed via the Pacific Requisition Control Office; for priority justification and deadline delivery date.

14. Screening of requisitions.

Question. Is there a difference in packing for overseas shipment?

Answer. There is a difference in packing for overseas shipment as items subject to deterioration or damage in shipment or storage, regardless of destination, are afforded preservation, packaging, and packing for overseas shipment, utilizing overseas shipping containers in accordance with applicable specifications and instructions. When it is known that an item scheduled for overseas shipment is for current use upon arrival at destination, the level of preservation, packaging and packing is lowered in keeping with anticipated hazards of shipment, storage and handling. (BuSandA Instruction 4700.1 of June 6, 1952 sets forth policy references on this subject.)

15. Packing for overseas shipment.

Question. What percentage of shipments are packed for overseas delivery?

Answer. It is estimated that approximately 60 percent of all shipments from NSD Clearfield are packed for overseas delivery.

16. Percentage of shipments packed for overseas delivery.

Question. What has been done in the field of conservation?

Answer. The conservation program at NSD Clearfield is twofold:

(*a*) Developing material cost consciousness on the part of all depot personnel. This was commenced on January 4, 1952, through the issuance of a special NSD Clearfield Instruction No. 1060.1 and followed by a series of training conferences for all personnel covering conservation of manpower and materials. Particular stress was placed upon proper preservation of materials and equipment, elimination of waste and hoarding. The Civilian Employees' Association of the depot, in addition, sponsored a cost consciousness slogan contest to stimulate thinking along conservation lines.

(*b*) The depot salvage program wherein the following savings were effected from January 1, 1952, to July 31, 1952:

1. Reclaimed lumber, 531,888 board feet valued at $19,281.
2. Shredded paper, 274,844 pounds valued at $3,913.
3. Scrap cardboard, 208,000 pounds valued at $2,080.
4. Excelsior, 17,200 pounds valued at $516.
5. Metals salvaged and transferred to the Navy Department are estimated as follows:
   60,000 pounds of lead.
   10,000 to 15,000 pounds of brass.
   4,000 pounds of copper.
6. Elimination of unnecessary copies of outgoing letters, forms, and directives approximating: 222,240 sheets at $285.23.

17. Conservation.

Question. How many conservation directives have been received from higher authority within the past 12 months?

Answer. Directives on this subject received from higher authority during the past 12 months total 5, as follows:

(*a*) Management improvement program—BuSandA Instr. 5200.1 of December 17, 1951.

(*b*) Reduction in message traffic—OPNAV Instr. 2110.4 of February 11, 1952.

(c) Conservation of manpower, money, materials—OPNAV Instr. 1060.2 of November 24, 1951.

(d) Paper conservation—BuSandA Instr. 10460.1 of June 12, 1952.

(e) Salvage and conservation—BuSandA Change 18/9, volume 11, BuSandA Manual

18. Conservation directives received from higher authority

Question. How many conservation directives have been issued locally within the past 12 months?

Answer. Twelve depot directives on conservation have been issued during the cited period, as follows:

(a) Reduction in message traffic—NSD Clfd Inst #02100.1A of April 14, 1952.

(b) Manpower utilization—NSD Clfd Inst #CP 115.2 of May 20, 1952.

(c) Conservation of manpower, money and materials—NSD Clfd Inst. #1060.1 of January 4, 1952.

(d) Navy management improvement program—NSD Clfd Inst. #5200.2 of February 5, 1952.

(e) Paper conservation survey—NSD Clfd Notice #10460 of July 9, 1952.

(f) Trash and salvable material, etc.—NSD Clfd Inst. 11350.1 of September 20, 1951.

(g) Paper conservation—NSD Clfd Inst. #10460.1 of June 26, 1952.

(h) Cost Consciousness Program—NSD Clfd Notice #4890 of April 14, 1952.

(i) Cost Consciousness Program—(re training of all hands) NSD Clfd Notice #4890 of July 10, 1952.

(j) Cost consciousness program—NSD Clfd Notice #4890 of June 4, 1952.

(k) Conservation of fuel, power, light, and heat—NSD Clfd Inst. #11370.1A of April 1, 1952.

(l)Paper salvage program; implementation of—NSD Clfd Notice #11350 of June 4, 1952.

19. Conservation directives issued locally

Question. How are dispositions of excesses and surpluses handled?

Answer. The function of disposing of all excess, surplus, and replacement-by-sale property located on this depot is performed by the Disposal Division. Steps in the operation are as follows:

(a) Supply demand control point or cognizant bureau determines whether material is obsolete, excess to known requirements or nonstandard.

(b) Bureau excess items are reviewed and placed in one of three categories: Usable, salvage, or scrap. Usable excess with an $100 acquisition cost, are physically inspected and a commercial description written with emphasis on condition.

(c) The Sulphur Materials Division of BuSandA acts as a clearing point for all bureau excesses, and also screens replacement sale property declared by Army, Navy, Air Force, and other specified agencies. All property not required by the military departments is then reported to the Federal Supply Service for screening by other Federal agencies prior to release as surplus.

(d) Upon determination by Federal Supply Service that material is surplus, disposition action is taken by the depot by listing and circularizing to all Governmental agencies within a 100-mile radius, prior to making available for sale or donation, in accordance with regulations.

20. Disposition of excesses and surpluses

Question. When supplies are shipped from the depot, are they considered serviceable?

Answer. When supplies are shipped from NSD Clearfield, they are considered to be serviceable unless otherwise known and noted.

21. Ready for issue materials

Question. Have any of the articles in store been reserviced?

Answer. Many of the items under Ships Parts Control Center H cognizance have been made serviceable for use under Programs 54 and 56 during the fiscal years of 1950 and 1951. At that time those items were given preservation and packaging for long-term storage.

22. Articles reserviced

Question. Are substitutions made for nonstandard items requisitioned? Explain.

Answer. Procurement of nonstandard materials are not entered into until after the requisition has been researched for possible substitution of standard items.

Substitutions are made on out-bound issue invoices based on stock position with the view of minimizing procurements and redistribution action.

All nonstandard items requested for depot maintenance are researched for possible substitution of standard items before procurement.

23. Substitution for nonstandard material

Question. Who determines what type of shipping is done, and when?

Answer. The depot's Traffic Branch determines the method of shipment to be utilized to meet the required deadline delivery date. The mode of transportation is selected from: Rail freight, motor freight, rail express, parcel post, air parcel post, air freight, or military air transport.

High priority shipments are made immediately upon receipt in the Traffic Branch. Low priority or routine shipments are consolidated into carload and truckload lots. Material is held for consolidated not to exceed 10 days, to develop a minimum of 25,000 to 30,000 pounds loads, in the interest of saving transportation costs to the Government.

24. Determination of shipping method

Question. On what basis are freight costs determined?

Answer. The basis of freight costs are established in the regular commercial published freight tariffs, on file in the Interstate Commerce Commission office, or in the event that a commercial carrier serving the depot has established a section 22 quotation as permitted under part I of the Interstate Commerce Commission Act, those rates which are less than commercial are used.

In every instance, shipments are thoroughly screened to obtain the lowest cost to the Government, in keeping with the deadline delivery date required. Material on a high priority with a long deadline delivery date is consolidated and shipped the cheapest way provided the deadline delivery date can be met.

25. Basis for determining freight costs

Question. Do you have a policy regarding using various modes of transportation aside from the question of costs?

Answer. Yes. The policy is set by the Assistant Chief of the Bureau of Supplies and Accounts (for transportation) and is outlined in part I of the Navy Shipping Guide, NavSandA Publication No. 6. Briefly, that policy is as follows:

(*a*) Any shipment 1,000,000 pounds or over—mode determine by BuSandA.

(*b*) Any shipment under 1,000,000 pounds—mode determined by Navy Central Freight Control Office.

(*c*) Any shipment under 10,000 pounds—Officer in charge, Traffic Branch makes determination.

(*d*) Exception to above when storage-in-transit privileges are involved officer in charge, Traffic Branch may select mode up to two carloads. Exceeding two carloads, mode is designated by Navy Central Freight Control Office.

(*e*) Navy policy is to make an equal distribution of shipments to all common carriers serving this depot. This is being done.

26. Policy regarding using various modes of transportation

Question. What are the current results of the beneficial suggestion and methods improvement programs?

Answer. (*a*) The methods improvement program since its inception in August 1951 has produced the following results: 614 proposals for improvement have been made, 270 recommendations have been approved, 226 recommendations have been rejected, 118 proposals are being investigated, 2,082 employees have been indoctrinated in the program.

(*b*) The beneficial suggestion program has been increased as reflected by the following comparative figures for 1951 and 1952 to 1 August: 1951 suggestions submitted, 282; awards, 97; paid, $5,527.50. 1952 suggestions submitted, 428; awards, 169; paid, $6,785. Estimated annual savings: (1951) $148,064.17, (1952) $184,554.10.

27. Beneficial suggestion and methods improvement programs

Participation in savings bonds.—In May of 1951, NSD Clearfield had 62 percent participation in the purchase of savings bonds and stood eighth place among the 31 12ND activities. Admiral Gillilan suggested to several persons that NSD should be able to attain the Minute-Man Award. Industrial Relations appointed bond-promotion representatives throughout the depot and Public Information

arranged for publicity. The drive was announced to the depot June 1, 1951, and was to run for 5 weeks.

On June 6, 1951, Mr. C. A. Mead, head of the Treasury Department's Payroll Deduction Bond System, presented a plaque to Admiral Gillilan for having reached the highest mark in bond participation of any major defense installation in Utah (62 percent).

In the Seagull of July 13, 1951, it was announced that the depot had achieved 90 percent participation.

On September 5, 1951, Georgia Neese Clark, Treasurer of the United States, presented the Minute-Man flag to Admiral Gillilan. We had 90.5 percent participation.

Minute-Man lithographs were framed and given to organizational components who had achieved 90 percent. Thermometers were distributed, showing participation of various departments, divisions, and branches. All new employees were encouraged to participate at the time of hire.

By the end of March 1952, we had attained 100 percent. On April 10, 1952, Mr. Vernon L. Clark, National Director, United States Savings Bond Division, Treasury Department, presented a flag designed by the depot, acknowledging our 100 percent participation. Since the end of World War II, NSD Clearfield was the first activity with more than 3,000 employees to attain the goal of 100 percent.

28. Savings bond participation

Report of progress in safety during the past year.—For the past 5 years the depot has earned the Secretary of the Navy award for achievement in safety. Frequency rate for 1952 to date is 1.57—the lowest in the history of the depot. Fifteen departments received safety plaques for 1,000 day no-lost-time-accident records. (Over 6,500,000 man-hours.) There have been no lost-time eye injuries since installation of eye program in 1947. A new hearing program is in progress which will be a great factor in medical and safety programs; 26 five-man teams have been trained in first aid under the disaster program. First aid cases have dropped from an average of 103 per month to 65.

29. Progress in safety during the past year

Question. What is the current authorized depot mission?

Answer. Current authorized depot mission as set forth in Chief, BuSandA Circular Letter OL3/4059 A3/NT4–15 A2–6/1.

The Naval Supply Depot, Clearfield, Ogden, Utah, will operate in an active status to:

(*a*) Serve as reserve-stock point for the following types of naval material: General stores, dry provisions, 55-gallon steel drums, materials-handling equipment, special electrical fittings, aeronautical stores, photographic material, electronic material, ordnance material, submarine material, Bureau of Ships components and repair parts (cognizance symbol S), special training devices, material under the cognizance of Bureau of Naval Personnel, and medical stores.

(*b*) Serve as reserve-stock point and distribution point for clothing (except women's clothing), and Bureau of Ships repair parts (cognizance symbol H).

(*c*) Provide general stores to Naval Air Station, Denver; Naval Ordnance Plant, Pocatello; and other activities as directed.

(*d*) Serve as storage and issue point for national stockpile materials; industrial equipment reserve and other industrial machinery and equipment in reserve storage, and the metal-cutting tool reserve program.

(*e*) Assemble and store specialized components of advanced base component material as directed by the Chief, Bureau of Supplies and Accounts.

(*f*) Identify, clean, and preserve for long-term storage materials on hand. Effect minor repairs to materials in store.

(*g*) Provide maintenance and repair services to Naval Officers' Quarters, Fort Douglas, Salt Lake City, Utah.

(*h*) Serve as minor relay center for such Western States as are assigned by the Twelfth Naval District.

(*i*) Provides storage of materials for other Government departments on a reimbursement of cost basis, as authorized by the Chief, Bureau of Supplies and Accounts.

(*j*) Provide nontemporary storage for household goods.

(*k*) Conduct surplus property disposal functions for Army, Navy, and Air Force activities in the Salt Lake City area as directed by the Chief, Bureau of Supplies and Accounts.

(*l*) Serve as a Navy personal effects distribution center.

(m) Provides accounting functions (stores, cost, and appropriation), payroll services (civil and military), and savings-bond issuing services for the naval supply depot and activities as may be designated by Com-Twelve with concurrence of the Chief, Bureau of Supplies and Accounts.

30. Depot mission

Status of reports and forms control programs:

Reports control: Program installed September 1951:

Status as of July 31, 1952:

Reports required	151
Reports eliminated	42
Reports reduced in content	15
Estimated savings in man-hours	10,550

Forms control:	*June 1, 1949 to July 31, 1952*
Forms eliminated by consolidation, etc	745
Forms standardized	213
Forms revised	84
Forms added	370
Forms on record as of July 31, 1952	334

Number 95 in this category is prescribed by Bureau or other higher authority.

31. Reports and forms control programs

Question. What has been accomplished in improving the depot's correspondence methods and procedures during the past 12 months?

Answer. Major areas of improvement made during the fiscal year 1952 in correspondence methods and procedures are as follows:

1. *Outgoing mail.*—Eliminated unnecessary checking; improved processing of documents; eliminated unnecessary file copies—estimated savings—$1,055.60 annually.

2. *Incoming mail.*—Improved methods sorting ships invoices; routing, indexing and delivery services; revised route sheet; improved messenger service; eliminated all but the minimum requirement in time-stamping mail—estimated savings—$5,929.80 annually.

3. *Internal practices.*—Improved distribution of specifications; rearranged office layout; procured new labor-saving equipment (addressograph, letter openers); improved filing practice—estimated savings—$2,049.20 annually.

32. Refined correspondence procedures

Question. What is the current status of the depot's records disposal program?

Answer.

1. All records are disposed of in accordance with the schedule in BusandA Manual, Article 12202.

2. Shipments are made twice each year to the Naval Records Center; the last shipment consisting of 349 boxes was shipped in January 1952.

3. Temporary storage of noncurrent records is maintained in Storehouse D–9 under the custody of the administrative officer.

4. Departmental records representatives advise the Administrative Services Department when records are to be stored in D–9; shredded or shipped to the Records Center. Administrative Services Department follows up to insure the disposition schedule is followed.

33. Records disposal program

OGDEN EXHIBIT 3

REVIEW OF ARMY REPORTING SYSTEM IN SUPPLY AND PROCUREMENT—SUMMARY AND RECOMMENDATIONS, MAY 1951

DEPARTMENT OF THE ARMY

OFFICE OF THE ASSISTANT SECRETARY

Washington 25, D. C.

Memorandum for: The Chief of Staff.
Subject: Report on Survey of the Army Reporting System in the Supply Area.

1. The attached report has been prepared after a thorough survey of the present Army reporting system in supply and procurement, by a team headed by Mr. Harold Pearson, special consultant to the Secretary of the Army, who has had extensive business experience, particularly in merchandising. He estimates that implementation of the recommendations contained in the report will result in a saving of 1,750 civilian and military spaces and $7,000,000 annually at the present level of activity. The savings would be proportionately greater as activities increase. In addition, the following important aids to management may be expected to accrue: improved supervisory structures at all echelons, better control of inventories through the consistent use of stock level controls, improved statsitical controls of matériel being accumulated for mobilizations, more reliable figures on major items, closer merchandising attention to secondary items, and better management knowledge of the status of logistical programs.

2. It is desired that those recommendations with which you agree be implemented as rapidly as practicable; that, on those recommendations with which you disagree in whole or in part, the interested agencies and Mr. Pearson jointly conduct further exploration and study (testing by pilot operations, where desirable) and, if unable to reconcile viewpoints by 31 July 1951, submit separately to this office their respective recommendations; that a schedule of implementation also be furnished by 31 July 1951, specifying the staff agency responsible for implementing each of the recommendations on which there is agreement and the dates of expected partial or full implementation; and that a progress report be forwarded quarterly thereafter until the project is completed. Mr. Pearson will be available to any staff agency which may have need of his services in connection with this project.

3. As soon as tangible progress has been accomplished, it is desired that the heads of such staff agencies as you may designate make a presentation to the Army Policy Council, setting forth the problems and progress toward solution. This presentation will be scheduled not later than August 1951.

KARL R. BENDETSEN,
Assistant Secretary of the Army.

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INTRODUCTION

Reference

1. Memorandum, Secretary of the Army to the Comptroller of the Army, subject: "Special Review of Statistical Reporting in conjunction with surveys of three Technical Services," dated 12 October 1950.

Mission

2. The purpose of the study was to analyze and evaluate the practices and systems employed in developing, maintaining, transmitting, analyzing, and presenting statistical data required for the supply and procurement activity; to define the strengths and weaknesses of existing practices and resources; to outline the characteristics of an improved system; and to indicate the specific steps which need to be taken in order to achieve that objective.

3. The supply and procurement operations involved included but were not limited to maintenance of inventory records (pricewise and quantitywise); reporting stock status, usage, and replacement factors; current procurement objectives; work measurement; costs; modification of equipment; utilization of resources other than money and manpower; performance under various types of contracts; production schedules delivery schedules; and production expediting and inspection actions.

4. The major statistical activities involved included but were not limited to recording of basic data; statistical tabulation of basic data; statistical and progress reports; analyses and presentation of program objectives, accomplishments, and deficiencies at all levels; and use of statistics by management.

5. The study identifies and describes briefly the planning, programing, scheduling, and control processes and organization employed in each stage of the supply and procurement operation at each level. The primary purpose of the study, however, was not to appraise and improve those processes, but to appraise and define the related statistical reporting and analysis services required. Accordingly, the study analyzes and appraises the records, practices, techniques, methods, equipment, personnel, other resources, organization, and total systems employed in the statistical reporting and analysis activities.

Procedure

6. A sampling technique was employed, wherein fifteen test items were selected as typifying different procedures in three Technical Services—Quartermaster, Ordnance, and Chemical, and the records and facilities of reporting of these test items were studied at all related Army levels—i. e., Department of the Army and selected class II procurement offices, stock control offices, depots, arsenals, Overseas Supply Division (G–4), and Air Force (on cross-service matters); also in an Army Headquarters and in selected Troop Units in Posts, Camps, and Stations, and National Guard and Organized Reserve Corps Units.

7. At each installation surveyed, the supervisory personnel and segments of the working staffs were interviewed; organization and flow-of-work charts were obtained or drawn; and related records and reports were examined by reference to original documents and to Stock on Hand, where applicable.

8. Three teams of three men each devoted ten weeks to the field fact-finding phase of the review. A total of eighty-two separate surveys were conducted, and the results summarized herein. All survey reports are thoroughly documented, and all details in support of this report are available for analysis in the Management Division, Office, Comptroller of the Army.

Evaluation of Existing Supply Records and Reports

Preface

9. The basic concept of the Army Supply Reporting System requires the maintenance of a perpetual inventory of each one of the thousands of items carried in the Supply System. This requires scores of millions of stock accounting entries in order to record each transaction and strike off balances on hand, by items, by condition, and by accounts. The same basic records are maintained for issues valued at one cent as for those valued at many thousands of dollars. This procedure is based upon (1) the implied audit requirement of item accountability, (2) the necessity of reporting historical data for guidance of remote centralized stock management, (3) the practice of editing requisitions for stock availability before they are sent to warehouses for filling, and (4) the assumed necessity for keeping stock balances by accounts.

10. The organizational structures of the Supply System in two of the Technical Services surveyed are based upon the principles of almost complete centralization of responsibility for Supply Management. In the third Technical Service surveyed, the principles of almost complete decentralization are applied. Volumes of reports on current stock conditions and historical background flow to designated stock-control points, from which requirements are computed and procurement actions initiated. These points are also the central clearinghouses for handling extracts of items which the mission depot cannot fill, and leveling stocks

between depots. In two Services surveyed, Commanders of depots and arsenals are virtually without authority in stock replenishment at their installations. The third Service surveyed assigns responsibility for stock replenishment of certain items to Depot Commanders by permitting them to place requisitions with Stock Control Offices, while leaving the basic responsibility for Supply Control in the Stock Control Offices.

11. The principles which underlie the present Army Supply Reporting Systems are substantially those which were developed during World War II to guide and control a procurement program which reached a peak of $23 billion in fiscal year 1945. The procurement programs were subsequently reduced by about 94 percent to an average of about $1.3 billion in the next five years (1946–50). With exceptions to be noted later in this report, the resulting budgetary limitations and dispersion of skilled staffs, combined with general inattention, has permitted serious deterioration in the Systems' administration and coverage in this area.

12. The presently accelerated procurement program will increase by tenfold or more the burden upon the Army Supply Reporting System. The evaluations and recommendations contained in this report are based upon the criteria of the reporting requirements of this accelerated procurement program.

SUPPLY REPORTING IN CONTINENTAL ARMIES (ZI)

Introduction

13. The Army Stock Accounting and Reporting Systems (ZI) have two distinct subdivisions:

(a) Depot stocks (Class II).

(b) Equipment in stations and in the hands of troops (Class I). Class II Installations are commanded by the Chiefs of the respective Technical Services, under guidance of the Assistant Chief of Staff, G–4. Class I Installations are commanded by the respective Army Commanders, who report to the Department of the Army.

14. Responsibility for requisitioning, storage, and issue of supplies and equipment in ZI armies is assigned to Army Commanders, although as a matter of practice requisitions flow from the installations directly to the Class II sources of supply. In the Continental Army surveyed, the responsibility for supervising the Supply record systems was executed through the respective Technical Service Officers under the G–4 officer at Army Headquarters—guided by the Office, Assistant Chief of Staff, G–4. The only statistical data regularly available at Army Headquarters for the supervision of these activities is the Equipment Status Report (GSGLD 212). This report is also the principal stock reporting statistical link between Stations and Units (companies, batteries, etc.) in ZI Armies and the Department of the Army.

15. The report shows, by Unit, the respective Tables of Organization and Equipment interpreted into total allowance, that interpreted into operating allowance, and actual on hand. It covers about 8,500 selected items. The data it contains are one of the elements in computing procurement requirements (Supply Control CSGLD 28 R4). It provides the index to Matériel Combat Readiness, and is the only regular source of information as to the Equipment Status of individual Units. Since assets in use generally exceed those in Depot Stocks, this report is an essential and important link in the Army Reporting System of Supply and Procurement.

Extent of survey

16. Forty-one Troop Units (companies, batteries, etc., including ORC and National Guard) were surveyed, covering four camps and one National Guard Command. In each Troop Unit the quantities of test items on hand were counted and compared with Company Property Records, with proper verification of quantities at laundries, etc. This physical count of quantities on hand was then reconciled with quantities reported on the latest Equipment Status Report (212) by verifying changes since the date of that report. Normal conditions were probably witnessed because care was taken to prevent enough advance notice to permit alteration of normal conditions by Units to be surveyed. In two instances surprise show-down inspections were utilized.

17. In ten Stations the stock records were examined and physical counts taken of test items on hand. The results were compared with quantities shown on the latest Equipment Status Reports, properly reconciled. Test segments of Station Memorandum Receipts were examined and reconciled with the Troop Units affected.

18. The result of these examinations were reviewed with the respective Commanders, and summaries were reported to the Comptroller of the Army surveyed. Liaison officers from the Army Headquarters accompanied the Survey Teams.

Troop unit records and reports

19. Upon activation, each Troop Unit (Company, Battery, etc.) is required to record issued property in Company Property Records, and to record therein all subsequent changes. At the end of the first month of activation, they are required to prepare an initial inventory of certain property on hand, to make for these items, their own interpretations of the applicable Table of Organization and Equipment, as modified, to determine total allowance: to interpret other instructions, as modified, to determine operating allowance. These figures are reported directly to the Machine Records Unit at Continental Army Headquarters, without intervening review.

20. The Army Headquarters' M. R. U. prepares EAM listings of these data. By the end of the next month, copies of these listings are routed directly to the Troop Units, where they are supposed to be brought up to date by scratching out last month's figures and inserting new ones to reflect any changes during the month. The corrected reports are then routed directly back to the Army Headquarters' M. R. U., without supervisory attention.

21. If items to be reported were accidentally omitted from the initial inventory, there is nothing in the system that will bring this omission to attention, and the omission may continue without correction.

Examination of troop units' records and reports

22. Physical counts of test items on hand in forty-one Troop Units, and comparison with Company Property Records, disclosed no significant differences. Comparison of physical inventories with quantities on hand as reported in the Equipment Status Reports (212) showed no errors. Because of incomplete files and errors in interpreting TO/E, and oversights in setting up initial inventories, errors of omission were frequent—being as high as 57 percent and 80 percent in the areas surveyed. For example: four batteries in one battalion, all identical in strength and mission, differed in interpretation of TO/E (as modified) on 50 percent of the Ordnance Items reported. In another instance, infantry companies reported TO/E authorization of substantially more bayonets than rifles and carbines to which to attach them, whil other identical companies reported TO/E authorizations for bayonets and/or scabbards as zero.

23. Since the reports are routed directly from Troop Units (companies, batteries, etc.) to Army Headquarters, and there placed into the reporting stream without review, the inaccuracies caused by omissions are carried through to top-level Department of the Army reports with no greater responsibility than that of the Company Commander who prepared the initial entries.

Conclusions re troop units' records and reports:

24. Company Property Records appear to be maintained with generally acceptable accuracy. On Hand figures appearing on the Equipment Status Reports are of acceptable accuracy. The frequency of omissions cause these reports to materially understate assets in the hands of troops. Frequent erroneous interpretations of TO/E destroy the value of these reports as guides to the relative Equipment Status of individual Troop Units.

Station stock records and reports:

25. Stations report their stock conditions in much the same manner as described for Troop Units, except that the reports include figures reflecting quantities "due in" on "Memorandum Receipt" and "Stock Level," as well as "On Hand." The Stock Level figures are generally approved by liaison teams from the respective Class II depots.

Examination of station stock records and reports:

26. In the ten Stations examined, one had significant errors in reporting Stock on Hand on the 212 Report, and another had a large error in reporting the quantity on Memorandum Receipt. Due In and Stock Level figures were occasionally omitted, and there was one instance of a major oversight in interpreting instructions on items to be included in the report. With one exception, the Station Stock Records themselves appear to be maintained with workably acceptable accuracy. In the exceptional case (a Quartermaster Station almost undecipherable records were dated as of the dates posted, rather than as of the dates of transaction, and could not be reconciled with stock on hand. No super-

visory service had detected this obviously bad practice, and there appeared to be no established facility for training.

Conclusions re station stock records and reports:

27. Omissions of some required figures, and a few errors in the On Hand and On M. R. figures, cause the 212 reports to be considered as somewhat less than reliable sources of information on Station Stocks and related data. Station Stock Records are reliable, except in one Station.

Continental Army Headquarters' records and reports

28. The Army Headquarters' Machine Records Unit prepares the tabulated lists for the Equipment Status Reports, sends them to Troop Units, receives the corrected copies from the Units, punches cards for the corrected figures, duplicates the corrected decks of cards for submission to the Department of the Army, and circulates a copy of the corrected lists among the Technical Services' Officers at Army Headquarters. The MRU assumes no responsibility for the accuracy of these figures beyond that of the mechanically accurate compilation of data received from posts, camps, and stations.

29. Responsibility for the policing of these reports is chargeable to G–4 and Technical Services officers at Continental Army Headquarters.

Examination of Continental Army Headquarters' records and reports

30. In the Continental Army surveyed, the Headquarters' G–4 and Quartermaster, Ordnance and Chemical Corps' officers were interviewed and some of the current months' 212 reports reviewed. The affected personnel of the Office of the Continental Army Comptroller were interviewed.

Conclusions re Continental Army Headquarters' records and reports

31. The Continental Army Headquarters' G–4 and Technical Services' officers appeared to lack the staff facilities with which to execute their responsibility for policing the accuracy of 212 reports. The Comptroller of the Continental Army surveyed had made no interpretative use of the 212 reports. There was no apparent program of guidance in training and supervision of persons engaged in preparing the 212 reports. The time lag is excessive. For instance, G–4's Combat-Essential Matériel Report issued as of 31 December 1950 showed Assets in Stations and Troop Units as of 30 September (Ordnance and Chemical), 15 July (Quartermaster), and as long ago as 31 March 1950 for National Guard Units.

TECHNICAL SERVICES—QUARTERMASTER

Introduction

32. The Quartermaster supply system is operated through seven Accountable Depots and thirteen Storage Depots. All stock records are maintained at the seven Accountable Depots, which report stock conditions to ONE CENTRAL stock Control Office. Procurement Directives emanante from this ONE source and all procurement contracting and follow-up actions are performed at THREE Procurement Offices. There are only minor exceptions to these general practices.

33. The Supply and Procurement record-keeping activities of the Quartermaster Corps are thus organized upon the principles of centralized management and control of stock replenishment, with Depot Commanders responsible only for the physical aspects of depot operations.

Extent of survey

34. All activities related to Supply and Procurement record keeping and reporting of the test items were analyzed at Procurement Offices in New York and Chicago, which perform about 95 percent of all procurement; at the Utah General Depot, which, because of FECOM activities, is currently responsible for stock record keeping on about 40 percent of the total Quartermaster tonnage received and shipped; and at OQMG activities which guide and control the entire Supply System.

35. All Supply records and reports pertaining to test items were test-checked by verification with a representative number of original documents, selected at random, and by reference to physical stocks, where applicable. Representative segments of both the supervisory and "working" personnel were interviewed at each installation reviewed. Related organization charts and "flow of work" charts were obtained or drawn for each installation surveyed. Manualized instructions were studied. All data were verified for technical accuracy by technicians in OQMG.

Depot records and reports

36. At Accountable Depots, an Electric Accounting Machine (EAM) card is punched and verified, to contain the complete details of each transaction of every nature. These original cards form the basis of all related records in the entire Quartermaster reporting system. Therefore, the accuracy of this initial punching is the key to the accuracy of all related reports.

37. A Depot Transaction Register is run from these cards as frequently as needed to establish new balance cards. This listing is the basis for audit of depot accountability, by the Army Audit Agency.

38. Using these same cards, a monthly Depot Transaction Analysis Report is run as a historical record, and for guidance of depots and OQMG in establishing stock levels, and for use in preparation of the Supply-Demand Study.

39. The pivotal "working" report in the Quartermaster Supply System is the Depot Stock Availability Report. Prepared weekly by each Accountable Depot, it shows, for all items, On Hand, Due In, Due Out, and Stock Level—by Location, Account and Condition Codes.

40. Subsidiary "Due In" and "Due Out" listings are prepared weekly for local use by stock editors in identifying documents, determining "due" dates and for follow-up actions. Once each month, these listings are reconciled with original documents.

41. A Station Stock Status Report and Requisition form is prepared bimonthly on all non-perishable subsistence items. The concept of this system appears sound.

42. A Depot In Transit Report is prepared monthly by each Accountable Depot, and consolidated at OQMG. This report appears to have no use at depot levels, but is used at OQMG to determine assets in transit between depots. OQMG considers this report as being assential to stock fund and financial accounting, and, as such, required by Public Law 216 (81st Congress).

Examation of depot records and reports:

43. A thorough audit of 240 random documents recorded in EAM records disclosed no errors of any kind in mechanically recording the data appearing on the documents. In two "Due In" documents, however, serious errors were noted in the documents themselves, only one of which was corrected in the subsequent week's reports.

44. All open Due In and Due Out documents, on test items, were reconciled with applicable reports, disclosing the two errors previously noted (par. 43). On Hand figures were substantially verified by observation. For broader coverage, inventory differences were recorded on 700 random items, with significant differences in 4 percent of the items checked. Stock level figures were consistently recorded but appeared to have little relationship to stock on hand and subsequent procurement activity.

Conclusions re depot records and reports:

45. The results of the foregoing audits and test-checks indicate that these reports are prepared with only commercially normal error conditions which will not impair their usefulness at other levels. This general approval does not extend to include an endorsement of the accuracy of stock figures by codes designating various "conditions" and "accounts." An excessive degree of subdivision, particularly by accounts, causes a great many "adjustment" entries, and is conducive to delays and errors. For example: in one active shoe number, "adjustment" entries accounted for 21 percent of all entries. Stock level figures are not consistently maintained in accordance with SR 780–40–1 Section II 4 (1) (2).

46. In many depot operations there was observed what frequently appeared to be excessive attention to accuracy of minute details on which normal clerical inaccuracies would not affect the practical utility of the figures as guides to procurement and distribution. This creates a tendency to oversystematize, with resulting added costs.

47. The preparation of the Station Stock Status Report (Subsistence) is not efficiently done. This involves the bimonthly preparation of about 150 lists of 250 items each—using the EAM tabulator as a typewriter. In this way EAM tabulators are annually used to prepare almost 2 miles of tabulation, whereas equally useful forms could be prepared by a mimeograph machine in a fraction of that time—and with the use of about 75 percent less paper.

Procurement Office records and reports

48. At QM Procurement Offices, EAM cards are punched for all details of all procurement directives and contracts awarded, including delivery schedules.

EAM cards are also punched to record actual deliveries—using copies of Shipping Documents as source of data. From these cards is run a Procurement Status Report showing, in comparative tabulation, the monthly quantities on Procurement Directives and on contracts awarded, the quantities delivered, and the quantity ahead or behind schedule.

49. From these cards is also run an Item Delinquency Report, which lists, by contractor, all contracts on which deliveries are behind contract schedule. The Procurement Offices then identify the contractors, show codes indicating the reason for the delinquency, an destablish an estimated or firm date on which cumulative deliveries will be brought up to contract schedule. Copies are furnished all depots and the Air Force as guides to the realistic establishment of "Due In" dates.

50. A quarterly Distribution Order and Forecast Report is prepared on "sized" items for use in balancing stocks and to guide procurement. QM repair activities are reported monthly.

Examination of procurement records and reports

51. All entries relating to test items in the Procurement Status and Item Delinquency Reports were audited for a 3-month period by reference to original documents. There were no errors in recording Procurement Directives, one large error (corrected the following month) in recording contracts awarded, and one minor error in recording deliveries.

52. The quarterly Distribution Order and Forecast Report on "sized" items was not within the scope of this survey. No errors were detected in an examination of fifty documents covering repair activities.

Conclusion re procurement records and reports

53. The records in QM Procurement are appraised as being reliable, timely, and complete in coverage. In fact, they are an outstanding accomplishment in the economical preparation of hard-hitting, "working" reports. Two minor questions are raised in this otherwise excellent reporting system. Under existing conditions of tight supply of many items, the Item Delinquency Report probably should be annotated for all delinquencies rather than only those delinquent more than thirty days. The eighteen codes used to designate reasons for delinquency are too numerous, conflicting, and overlapping.

OQMG records and reports

54. At OQMG, the Quartermaster Stock Accounting Office (QMSAO) regularly summarizes the Stock Availability Report as a basis for the computation of requirements; as a guide to the handling of Extracts, Inter-depot and Inter-account transfers; and as a basis for the Supply-Demand Study and the Supply Control Studies. The Station Stock Status Reports on nonperishable subsistence are summarized to establish stock levels, plan menus, and institute procurement action.

55. The QMSAO summarizes reproduced decks of cards into a Consolidated Stock Analysis Report (for the Supply-Demand Study) and a consolidated report of Issues, which is primarily a dollar accounting report, and, therefore, beyond the scope of this survey.

56. The Consolidated Inter-depot In Transit Reports are prepared to record assets which would otherwise be temporarily not of record.

57. Quartermaster is the only one of the Technical Services surveyed to use an EAM "Supply-Demand Study" type of form as a basis for over-all long-range stock management, and as an interim step in the preparation of the "Supply Control Studies." This appears to be a convenient and economical method of assembling widely scattered data.

58. Excepting only the Supply-Demand and Supply Control reports, all records and reports in the Quartermaster Supply System are prepared on Electric Accounting Machines, or by Facsimile Posting, direct from EAM reports. No hand-posted records are maintained. All EAM procedures are fully described in detail in printed manuals, and accuracy controls specified. An impression of excessive attention to minute details of accuracy in matters of little consequence is created in some areas.

59. OQMC, Logistics Branch, assumes responsibility for staffing, training, and supervision of all EAM units in that Service. They maintain potential reserves of trained men (new about 80—not on QM payrolls) for field assignment, and have additional reserves spotted in industry. Supervisory teams visit each installation of every 60–90 days, and EAM supervisors meet at OQMC three times a year for group guidance.

Examination of OQMG records and reports

60. The methods used in preparing consolidated reports by using mechanically reproduced decks of cards were examined without detection of any practices which would cause errors in a completely mechanized process.

61. The methods used in preparing Supply Control reports covering Test Items were examined and, where practical, the figures and computations were audited. No mathematical errors were detected. As in all Technical Services, there is a sizeable area of omission of assets in transit to Stations, but, since this is a consistent omission, its absence does not impair the utility of the report.

Conclusions re OQMG records and reports

62. Reports flowing into the Office of the Quartermaster General for its use in management of the Supply System are appraised as being generally accurate enough to meet all practical requirements. The frequency of their issue appears to meet all needs, and the lapse between cut-off dates and issue dates is not excessive. They appear to be complete in coverage of all areas within the direct responsibility of the Quartermaster General. The reports are generally understood at all levels, and interpretations are uniform. Stock level figures are not maintained in accordance with SR 780–40–1 Section II 4 (1) (2).

63. The organizations which accumulate, record and report Supply data in the Quartermaster Corps are adequately equipped and generally well trained in their respective functions. The quantity and quality of personnel appears to be adequate, and some reserves of trained people are available. Procedures are thoroughly detailed in manual form, and provide enough "check points" to accomplish working accuracy of records and reports. Supervision is complete, thorough and consistent. The engineering of records, reports and systems appears sound.

TECHNICAL SERVICES—ORDNANCE

Introduction:

64. By every accepted standard of measurement, the Ordnance Corps is the largest of the Technical Services, and, in many ways, has the most difficult supply and procurement record-keeping problems. Inherent in the Ordnance Corps are many specialized and technical problems of greater dimensions than those in other Services—manufacturing, rebuilding, modification, maintenance, spare parts, ammunition, surveillance, etc.

65. In the Ordnance System, forty-three supply installations report supply data to seven stock control points—many to two or more control points. Six of the supply installations are assigned a general supply distribution mission; eight are assigned an ammunition distribution mission; and five are assigned a general supply key mission; others are used as relatively inactive storage points. National procurement action is initiated by the seven stock control points in the form of requisitions submitted to procurement offices. All supply installations effect local purchase for certain operating supplies and equipment. Nine of the general supply key and distribution depots are authorized to effect local purchase of stock items for issue to supported activities. The fourteen District offices, some arsenals and other points preform procurement, inspection, delivery follow-up, and other vendor relationships. Stock status of about 1,250 major items is reported to OCO and about 500 Anti-Aircraft Artillery and Fire Control major items to Frankford Arsenal. Ammunition items are reported through channels which differ from General Supply reporting channels. The Ordnance Corps thus utilizes three distinctly different channels of reporting, i. e., major items, secondary items, and ammunition, with major items subdivided between OCO and Frankford Arsenal.

66. In this way, the Ordnance organization structure is based upon the principles of almost complete decentralization of operations and records.

67. Direction of this complex system is accomplished by the Chief of Ordnance through two Staff Divisions—Industrial Division and Field Service Division. The Industrial Division has staff responsibility for the planning and supervision of procurement, production, inspection and acceptance of virtually all Ordnance matériel. Its Operations Branch supervises District Offices, procurement programs and procedures, and procurement reports. Its Production Service Branch has certain technical interests in the manufacturing field. There are four Commodity Branches—Ammunition, Artillery, Automotive and Small Arms—supervising Procurement and Production. The Field Service Division is responsible for storage, maintenance, distribution and supply control at field installations with Branches for General Supply, Ammunition, Maintenance, Requirements, and Operations.

Extent of survey

68. Stock records and reports on test items were examined in two of the six General Supply Distribution Points, two of the eight Ammunition Distribution Points, one of the five General Supply Key Mission depots, four of the seven Stock Control Points, four of the six manufacturing arsenals, one of the thirty manufacturing installations, two of the 27 Ammunition Reserve depots, and one of the 14 District Offices. At all applicable points, records and reports on test items were checked by reference to original documents and, where practical, to the stock on hand. Instruction manuals were examined, organization and flow charts obtained or drawn, personnel interviewed, and specimen transcripts of records taken.

Depot ammunition records and reports

69. After being vouchered and edited, ZI requisitions are posted to locally improvised records of ammunition "credits." All types of transactions are then manually posted to standardized "Lot and Location" and "Stock Record" cards. The Stock Record cards thus become, in effect, both a Depot Transaction Register and Stock Availability record. By an ingeniously designed form, carbon copies of the Stock Record card entries are sent to the Stock Control point weekly. "Due Ins" are not recorded at depot level. "Due Outs" are interpreted to mean only ammunition obligations (credits) to using units. "Stock Level" figures are not established at depot level.

Examination of depot ammunition records and reports

70. The foregoing records pertaining to test items were examined at two Ammunition Supply installations. In one depot, one minor error was observed. In the other, delays as long as six months in posting bomb surveillance reports resulted in the substantial understatement of assets in Condition 1 Serviceable. Believing that this statement might be misinterpreted, the Office, Chief of Ordnance requested a re-survey and delegated two Ordnance Officers to work with the Survey Group in a re-inspection of the subject records. The re-survey confirmed the fact that substantial errors existed between Lot-Location-Condition records and the Stock Record which is the basis of national stock control, and corroborated findings that records were maintained in a very loose manner. Ordnance Officers expressed the opinion that a reporting delay of current condition quantities on this particular item, while not an acceptable practice, would not materially affect the issue potential of the overall quantity.

Conclusions re depot ammunition records and reports

71. The ammunition record and reporting system at the depot level is appraised as fundamentally sound and capable of producing accurate and timely reports if all source data are promptly posted. Some local improvisations and inefficiencies indicate lack of training and field supervision of depot stock record-keeping activities.

Depot "major item" records and reports

72. The designation of "Major Item" is assigned to about 1,750 items, some "nonregulated" and some "regulated." On nonregulated items, requisitions flow from the requesting units to distribution depots, where stock records are checked for availability. If stock is available, shipment is made and manually recorded on Stock Record cards. If not available, the item is extracted to the applicable Key Depot for shipment from some other point within the National Supply System. On regulated items, requisitions are routed by the receiving depot to one of three Key Depots for authority to ship. This authority is given by the applicable Key Depot, except for all vehicles and certain other selected items, where shipping authority resides solely with OCO.

73. All Major Item transactions are manually posted to stock record cards, which differed in form and arrangement with each depot visited. The same data from the same original documents are typed to a Monthly Major Item Status Report, which is sent to the applicable one of three Key Depots. This report is in the nature of a Transaction Register with stock balances brought forward. It does not provide for the reporting of "Due In," "Due Out" or "Stock Level" figures. "Due Outs" are recorded locally to reflect only unfilled orders. "Due Ins" are not formally recorded. "Stock Level" figures are not consistently established and recorded as required in SR 780–40–1, but do appear on "requisitions" sent to Stock Control points by depots. Stock management is accomplished, in part, by depots placing "requisitions" with Stock Control points, and, in part, by actions initiated at the Stock Control points.

Examination of depot "major item" records and reports

74. Due to cut-off procedures, the realistic records of available assets on the Major Item Record Cards frequently show a balance differing from that reported for that date to the Stock Control point. Posting procedures are clumsy, and make reconciliation difficult.

Conclusions re depot "major item" records and reports

75. Because of the foregoing inconsistencies, local adaptations, repetitive hand postings, and unclear cut-offs, the Major Item Status reports, while timely, are not reliable sources of data as to available assets. Manuals are inadequate and there is no program of training and supervision.

Depot "secondary item" records and reports

76. The record system on Secondary Items begins with a hand-posted Availability report, which, in most installations observed, was a nonstandard form without columnar headings. Where available, EAM equipment is used in preparing stock records on Secondary Items. In such places, full details of all transactions are punched into cards which are first used to prepare a "Control Register" and are then summarized and used to run monthly Stock Status reports. Except for two Coast depots which were exchanging reports, these Stock Status reports are not circulated outside the preparing depot. A reproduced deck of cards is sent monthly to the applicable Stock Control point. Where EAM is not available, manually posted Stock Record Cards are maintained.

Examination of depot "secondary item" records and reports

77. Records and reports covering test "Secondary Items" were examined at two installations. At one installation one minor error was observed in the 42 transactions examined. At another installation one large arithmetical error in computing Availability was noted. At this same installation stock balances shown on the Availability record differed widely from those shown on the Stock Record, and both of those differed from balances shown on the Stock Status report. These confused conditions were caused by cut-off practices which were at variance with instructions—and instructions which, in themselves, set unattainable cut-off and reporting date requirements. In this case the installation cut-off was from nineteen to twenty-three calendar days before the cut-off dates specified by OCO. The resulting reports to applicable Stock Control points bore no relationship to actual stock conditions as of the date of the report.

Conclusions re depot "secondary item" records and reports

78. The loose and informal methods of recording Availability data and the confusion of widely differing cut-off dates create unreconcilable figures which cannot be considered as reliable sources of information on Secondary Item stock conditions. Instruction manuals are not adequate, and no organized training and supervision are available.

Key depot records and reports

79. Ordnance uses five depots, designated as "key" depots, to perform certain limited "national distribution" functions. These Key Depots (rather than the Stock Control points) execute the "extract" system. For a few regulated Major Items, the key depots route the requisitions to OCO; for other regulated items they authorize shipment. For nonregulated major items they extract requisitions to distribution depots. While outside the scope of this survey, these procedures appear to be conflicting, sometimes confusing, and lack sharp, clear lines of responsibility for stock conditions at depots. Key depot records consist of manually posted details of all transactions affecting Major Items for each installation stocking those items. In addition, Key Depots receive monthly Major Item Status Reports from all applicable installations, and, for some reason, completely retype all of the details appearing on the MISR reports and summarize the figures. On Secondary Items the one installation examined utilized records of the adjacent Stock Control point to guide "extracting" actions.

Examination of key depot records and reports

80. Records pertaining to test items were examined at one Key Depot, and no errors were found.

Conclusions re key depot records and reports

81. The practice of retyping all details appearing on Major Item Status Reports is an extravagant waste of time and money. Other Key Depot records are

adequate, but largely duplicate data in Stock Record offices and raise the question as to the necessity for using Key Depots rather than Stock Control Offices to perform these limited missions.

Stock control point records and reports

82. The Ordnance Supply System operates through seven Stock Control Points (including OCO). Except in the field of ammunition, the Stock Control Points visited receive monthly Stock Status Reports (or reproduced decks of cards) from applicable Supply Installations, prepare Consolidated Stock Status Reports, manually post these to card records maintained for each installation (in one instance), manually post consolidated figures to other cards, compute requirements, and initiate Purchase Directives. In some instances, Stock Control Points negotiate purchase contracts. In most cases, this procurement activity is delegated to Ordnance District Offices.

83. While Stock Control Points compute National requirements for procurement purposes, Ordnance looks to Commanders of Supply Installations to place in a timely manner with Stock Control points, requisitions for needed stock replenishment. Stock Control Points frequently order inter-depot transfers to "level" stocks. In this way, responsibility for maintaining desired Stock Levels at Supply Installations is divided between local Commanders and Stock Control Points. The areas of responsibility are not clearly defined, seem to overlap in some ways, and appear to be the source of some confusion.

84. Three field Stock Control Points were analyzed. One manually posted both the Installation and Consolidated Stock Status Reports on locally designed cards. At another, the Consolidated figures are manually posted to a series of locally designed cards which also provide the basis for computation of requirements. In the third (Ammunition) the EAM Consolidated Stock Status Reports are used to guide these activities.

85. The practices of establishing and using "Stock Levels" to guide distribution varied between each installation visited. At one Supply installation, the sum of the last 3 months' issues plus Base Shop Level is variously called "Control Level" and "Depot Stock Level." This is reported to the Stock Control Point only when short supply requires the placing of replenishment requisitions. At two other Supply installations visited, Stock Level figures were not in evidence on any record or report. One of the Stock Control Points visited made its own computations of depot Stock Levels, but did not record these in any manner. Another Stock Control Point operated entirely without depot Stock Levels. The Major Item Status Reporting System contains no provision for computing or recording Stock Levels.

Examination of Stock Control Point records and reports

86. All current entries pertaining to the posting of test item data to cards were examined at one Stock Control Point, with one minor error noted. The formulae used in computing requirements were of uncertain origin, and were not consistently applied. At another Stock Control Point, a badly confused EAM report was found to have been accurately posted to cards. At a third place, where only the EAM report was used, no errors were observed.

Conclusions re stock control records and reports

87. Reports reaching Stock Control Points, and records maintained at these Points, are frequently incomplete, confused, and inadequate to guide these Points in their prime Mission of initiating timely Procurement actions. Areas of responsibility for maintaining balanced stocks are not clearly defined. The directives for establishing and using "Stock Levels," as set forth in SR 780–40–1 (Stock Control and Supply Procedures) are not consistently complied with in Ordnance. There appeared to be no program for training and supervising Stock Control Point record-keeping activities. Since these records guide all stock replenishment procurement, the lack of training and supervision is a major defect.

District Office records and reports

88. Fourteen District Offices perform certain inspection, delivery follow-up, and other vendor relationships—reporting direct to OCO. These District Offices may be assigned Procurement missions, at the option of Commanders of Stock Control Points and arsenals. On Ammunition and Major Items, a report of "Production Schedules and Estimates" is made monthly by correcting entries on typed data supplied by OCO. On Secondary Items, a "Forecast and Prog-

ress" report is typed monthly and submitted to the respective Stock Control Points, showing Acceptances (monthly and cumulative) and Forecasts of Acceptances.

Examination of District Office records and reports

89. This survey included "on the ground" examination of the activities of only one of the fourteen District Offices. At this office all records were maintained manually, reflecting the procurement, inspection, and acceptance of items under contract with producers in that immediate area. These records were complete in that they reflected the reports of contract officers, inspectors, and staff personnel. Examination of reports furnished by District Offices to Stock Control Points disclosed no obvious errors.

Conclusions re district office records and reports

90. The over-all record-keeping procedures on procurement and manufacturing appear to meet all needs at all levels, but lack uniformity. The data provided do not permit the establishment of realistic "Due In" figures at Supply Installations. The hand-posting methods and individually-typed reports are expensive and probably not conducive to rapid expansion.

Office, Chief of Ordnance, records and reports

91. The Office, Chief of Ordnance, is the Stock Control Point for about two-thirds of the 1,750 Major Items—the others being handled at Frankford Arsenal. OCO is the sole shipping authority on all vehicles and certain other "regulated" Major Items. The statistical data which guide these activities are contained in the Consolidated Ammunition reports, Major Item Status Reports, and reports of "Production Schedules and Estimates" previously discussed.

92. The Field Service Division of the Office, Chief of Ordnance, has responsibility for the supervision of all Ordnance Field activities, excepting only the 14 Ordnance District Offices, and is responsible for the development and supervision of all record-keeping procedures in these areas. The responsibilities of maintaining depot stock levels are rather loosely assigned to the respective depot Commanders who are expected to initiate requisitions for stock replenishment. Stock Control Offices fill these requisitions by transfer from other depots or by placing procurement requisitions with Ordnance District Offices. OCO, therefore, does not exercise any broadly effective central control over stock replenishment, excepting Major Items. Field visits by OCO staff personnel appear to be too infrequent to meet the needs of close control of these important activities.

Examination of OCO records and reports

93. Inasmuch as all reports at OCO level are transcripts of those prepared in Field areas, no further examination was considered necessary.

Conclusions re ORD records and reports

94. Supply and procurement records within the Ordnance Corps have no uniformity. There are major variations in the procedures for handling data in the three types of commodity groups (ammunition, major items, and secondary items) as well as deviations from one Field installation to another within commodity groups. Record-keeping procedures are expressed only in broad general principles which allow almost complete latitude in Field application. Such important elements as definitions, terminology, cut-off dates, and forms are left to be determined by installation operating personnel. As a result, even though the many individual systems frequently serve local purposes, they do not permit the collection and consolidation of reliable data at higher levels.

95. Accompanying this deficiency in manuals is a lack of training of personnel both in Field installations and in the Office, Chief of Ordnance. OCO has no program for training the personnel engaged in stock record-keeping activities, maintains no reserve of trained personnel, and looks entirely to the respective installation Commanders to provide these facilities.

96. OCO provides no Field supervision of record-keeping activities. This deficiency, combined with the complete lack of training and vague, ambiguous, manualized instructions, results in a record-keeping performance which produces inconsistent, non-uniform and unreliable records and reports. Furthermore, excepting Ammunition, the reporting systems are not well engineered to accomplish maximum efficiency.

97. Ordnance appears to have adopted as a policy the abandonment of all attempts to comply with the provisions of SR 780–40–1, Section II, 4 (1) (2),

which refers to the maintenance of stock levels and their use in controlling the supply system. The non-uniform application of this important control factor, combined with decentralization of supply control responsibility, non-uniform supply control records, absence of training and supervision of record-keeping activities, results in lack of central control of these important elements.

98. "Due In" to the Ordnance Supply System is accurately recorded at the procurement level, but this important guide is not consistently used below that level. "Due Out" is recorded only in Ammunition and there it is used to mean obligated stocks or Ammunition Credits set up by ZI Armies.

99. The relationship between key depots and stock control points create areas of conflict and divided responsibility.

100. Unlike Quartermaster, Ordnance does have its secondary items isolated in a separate reporting system, does hold depot commanders responsible for stock replenishment, and does effectively utilize the local purchase policy. Ordnance records of secondary items, however, are more extensive than needed to manage the supply system, partly because of multiple storage locations and accounts, and partly because of the maintenance of duplicate sets of records at stock control points.

TECHNICAL SERVICES—CHEMICAL

Introduction

101. The smallest of the Technical Services—the Chemical Supply System—is operated through five Chemical Depots and Chemical Supply Sections at seven General Depots. Stock records are maintained at each location and stock conditions are reported to the Chemical Corps EAM Unit at the Army Chemical Center, Edgewood, Maryland, for consolidation. Chemical Depots (except Eastern) and Chemical Supply Sections at General Depots without available EAM facilities forward original documents to the EAM Unit at Chemical Center for preparation of code sheets to be recorded on punch cards. The Eastern Chemical Depot forwards code sheets with data to be punched into cards. Chemical Supply Sections at General Depots having EAM facilities forward duplicate decks of punched cards to the Chemical Center EAM Unit. Stock conditions on "end items" are reported to the Office of the Chief Chemical Officer and "spare parts" are reported to a suboffice of the Chief Chemical Officer which is located at Army Chemical Center. Procurement directives emanate from these two sources and procurement actions are effected at six Procurement Districts. Spare parts are procured by the District having end-item responsibility.

Extent of survey

102. All activities relating to supply and procurement record keeping for the test items were analyzed at the Boston Chemical Procurement District; at the Eastern Chemical Depot, Edgewood Arsenal, and Machine Records Section at the Army Chemical Center; at the Chemical Supply Section of the Utah General Depot; and at Office, Chief Chemical Officer activities which guide and control the entire supply system. This survey coverage is considered to have been broad enough to be representative in identification of problem areas.

Depot records and reports

103. Chemical Depots which do not have access to EAM send all original documents to the Chemical Center, Edgewood, for preparation of all reports. Such Depots do, however, maintain some sort of manual records for current operating purposes (none of this type of depot came within this survey). Depots which have access to local EAM maintain their basic records mechanically and send reproduced decks of cards to Chemical Center for consolidation.

Examination of depot records and reports

104. A thorough audit of 440 random documents against EAM records revealed 14 errors, or 3.2 percent, in the EAM processing of records for the Eastern Chemical Depot at the same location. A smaller examination of similar records at the Chemical Section of one General Depot revealed no errors. Recordings of "Due Ins" and "Due Outs" were not uniformly maintained at the installations visited. Stock level figures were not regularly reported, although a directive had been issued which required the establishment of these important control figures.

Conclusions re depot records and reports

105. Stock on hand is locally recorded with acceptable accuracy. "Due In" figures are not consistently recorded and the "Due Out" figures cannot be accu-

rately established under existing procedures. Stock level figures appeared for only one depot in November.

Army Chemical Center records and reports

106. The Chemical Corps has centralized its EAM equipment at Army Chemical Center, Edgewood. Original documents are sent here from all depots which maintain manual records and duplicated decks of cards from those depots which have access to local EAM equipment. Manual postings of every transaction are made by stock editors to the stock availability list. In effect, this is a complete duplication of all recordings by EAM. Original documents are manually transcribed to detailed code sheets. This operation requires the manual transfer of every item of information (stock number, voucher number, condition, disposition, transaction, account, quantity, item number, date, and depot code) from source documents to individual code sheets. Approximately 25 percent of all transactions processed are adjustments. Every document is processed twice by the Key Punch Section, once to prepare transaction detail cards and again to prepare document control cards. Each line of all requisitions requires three separate searches in three separate files, first to determine that each item is necessary and, where necessary, to establish substitutions; second, to determine that each item is available for shipment; and third, in the Machine Unit to select for each item tub file cards used in recording transactions. In processing supply documents received from branch depots, all transactions are manually posted to an availability list for each depot. This complete duplication of the subsequent EAM report is performed solely to prevent "credit balances" from appearing. After punched card records have been established for all Branch Depot transactions, these records are verified in detail with manually posted Branch Depot Availability records. This operation is in addition to the automatic proof of correctness which is obtained when the detailed punched cards are balanced by machine to the document control cards. Cut-off practices are not clearly defined and documents in transit make reconciled reports virtually impossible.

107. The Chemical Center EAM prepares semimonthly transaction registers for all non-EAM depots and a consolidated transaction register for Office, Chief Chemical Officer. Since this duplicates identical records manually maintained at depots for audit purposes, this report appears to serve no useful purpose.

108. A monthly transaction analysis report is made by Chemical Center EAM for guidance of the Matériel Planning Branch of Supply Division OCCO for guidance in planning procurement and to aid in preparation of Supply Control data.

109. The "working" report in the Chemical Supply System is the Depot Stock Availability Report which shows stock level on hand, due in, due out, stock availability—by location, account, and condition. This report is prepared at Chemical Center for non-EAM depots but is prepared at the depots which have access to EAM equipment.

Examination of Chemical Center records and reports

110. Audits of test item figures in normal flow of work showed generally good accuracy conditions in the recording of On Hand. Stock level figures which were reported by only one depot were carried to consolidated reports causing obvious inaccuracies. "Due In" figures were not regularly reported because procurement documents were not sufficiently explicit as to delivery schedules by location and date. "Due Out" figures were not recorded because the Chemical Corps does not establish "Due Outs" unless it is definitely known that "Due Ins" will be received in time to meet the required date. Since "Due Ins" cannot be consistently recorded, neither can "Due Outs."

Conclusions re Chemical Center records and reports

111. The semimonthly Transaction Registers for non-EAM depots and the Consolidated Transaction Registers appear to serve no useful purpose. Stock availability balances as maintained by the Chemical Center EAM are constantly being corrected to conform to similar manual records kept at depots. The fact that about 25 percent of all EAM entries were adjustments to bring EAM records into agreement with manual records is proof of the constant fight to maintain EAM records up to the accuracy levels of manual records. Cut-off customs are irregular and EAM reports frequently late. Except for stock on hand, the inconsistencies and omissions within the Chemical reporting system cause this system to produce reports which are unreliable guides to stock management. Manualized instructions are inadequate and no field training or supervision programs are utilized.

Procurement office records and reports

112. The statistical record which governs procurement is the Procurement Progress Report—prepared monthly by each Procurement District Office (now being changed to semimonthly). This report is manually prepared from a Kardex Record of (1) Procurement Directives in process of being acted upon, (2) contracts which have been awarded, and (3) completed contracts. A separate manual listing of contracts on which deliveries are delinquent shows reason for delinquency and estimated shipping dates. A monthly workload and activity report coordinates and guides the procurement of parts for manufacturing arsenals and is used to forecast delivery of end items.

Examination of procurement records and reports

113. Postings to the Procurement Progress Report were audited at one Procurement Office with two errors detected in 250 transactions. The listings of delinquent contracts were examined and found accurate. Examination of the Workload and Activity Report revealed no apparent errors.

Conclusions re procurement records and reports

114. These records are accurate, timely, effectively used, and serve their purposes well.

CONGESTION OF SUPPLY REPORTING FACILITIES—ALL TECHNICAL SERVICES SURVEYED

Introduction

115. This section has reference to supply record-keeping practices which result in the expensive recording of trivial matters and unnecessary detail, and which serve little or no purpose in merchandising, accounting or auditing. Such practices congest the supply reporting facilities and impede the accurate and timely reporting of data which are really essential to the logistical processes. Trivia and nonessential detail are recorded in three categories:

(a) Low unit-of-issue value, commercially available, expendable items, and items of infrequent issue on which stocks will meet contemplated needs for, say, two or more years.

(b) Stock balances on individual items (often by size and/or color) in eight or more accounts, as applicable—such as Army, Army ROTC, Army ORC, Army NG, Air Force, Air ROTC, Air ORC, Air NG, MDAP, etc.

(c) Transaction registers, which are journals of all debit and credit entries to each account for each stock number (and size and/or color).

In the aggregate, the foregoing three classifications and records account for about 70 percent of the volume of all supply records.

116. In the supply area, the Army reporting practice is to maintain complete records of every detail of every transaction in every stock number, and in every size and/or color where applicable. Transactions valued in fractions of cents are accorded the same basic record-keeping as those valued at many thousands of dollars. Furthermore, Army practice is to carry perpetual inventory stock record balances for every size and/or color of every stock number in each of eight or more accounts, as applicable. Additional complications are added in many items by maintaining balances by location, condition, year-of-pack, date of surveillance, etc. This practice results in keeping the same "set of books" on accounts with balances of a few cents as are kept on accounts with balances of many thousands of dollars. Then, too, Army practice is to record every debit and credit, no matter how trivial in size, in a register for audit and reference purposes.

Extent of survey

117. To analyze the effect of the foregoing practices upon the supply reporting system, the survey was extended to include analyses of records covering certain types of nontest items. The following observations are made with no inference that they apply exclusively to the Quartermaster Corps. In fact, Quartermaster Corps was chosen to illustrate these points because the excellence of their records facilitated the analysis. The problems are common to all Services surveyed.

118. The Quartermaster Corps catalogs about 48,000 items. Approximately 42 percent of these items have unit-of-issue values of less than $1.00; about 16 percent have unit-of-issue values of less than 10 cents; and there are about 1,300 items with unit-of-issue values of less than one cent. All of these items receive the same record-keeping attention.

119. To illustrate the uneconomical effect of this uniformity of record-keeping practices without regard to unit-of-issue value, the records of index cards (3 x 5 and 5 x 8) were studied for the depot surveyed. This depot, and the two satellites for which it keeps stock records, carry these cards in 16 stock numbers and in 175 active accounts—42 percent of which had stocks on hand valued at less than $20.00, and 14 percent of the accounts were maintained with balances of less than $1.00. Some accounts were noted with balances of less than one cent. The unit-of-issue is "each card," despite low unit values of eight to twenty-five one-hundredths of one cent each. In the test month, 56 percent of all issues were for less than $5.00 in value; 19 percent less than $1.00; with some issues valued at less than 10 cents; and in one instance all of the record-keeping machinery was set in motion for an issue valued at less than one cent. Forty-four percent of all issues contained "broken package" quantities of less than 100 cards, although a package of 100 is valued at only 8 cents. About 33 pages of EAM figures were used in one month at one depot to report these largely inconsequential facts.

120. To test the survey observations in this area, conferences were held with the Accounting Policy and Audit Divisions, Office, Comptroller of the Army.

Conclusions re congestion of supply reporting facilities

121. The practice of maintaining perpetual inventory records on such low-value-issue items and in such numerous subclassified accounts is wasteful of both manpower and money. To make and record "broken package" issues of such low-value items is manifestly uneconomical, just as it is economically unsound to make and record one out of every five issues in values of less than $1.00. To prepare Transaction Registers on all transactions, when only a small fraction are over used for audit or reference, is wasteful. To record and report such volumes of trivia congests the reporting facilities and impedes the accurate and timely recording of essential data. Problems of training and supervision are increased disproportionate to the advantages.

ELECTRIC (PUNCHED CARD) ACCOUNTING MACHINES

Introduction

122. Nearly every report in the Supply area of the Army Reporting System is, at one stage or another of its preparation, processed through Electric (Punched Card) Accounting Machines. Some areas (notably Quartermaster Corps) are entirely dependent upon EAM records and reports, with virtually no data recorded manually. Other areas (notably Ordnance—Secondary Items and Chemical Corps) utilize a combination of manual and EAM systems, with frequent wasteful overlapping and duplication. Expensive EAM equipment is regularly and wastefully used as a repetitive typewriter—for example, to type the "Certificate" which accompanies the 212 Report, and to type the Non-Perishable Subsistence Lists in the Quartermaster Corps. Some installations should probably never have been mechanized (EAM), e. g., Army Chemical Center, Edgewood.

123. The Office of The Comptroller of the Army estimates the annual cost of operating EAM units in the Technical Services at about $8,250,000—most of which is for stock control activities. In addition, the EAM costs of The Adjutant General, which OCA estimates at about $4,800,000 annually, is partly for stock control activities related to the Equipment Status Lists (#212 Report).

124. Annual machine rentals for equipment used in the Technical Services mostly for stock and Supply control purposes, is estimated by OCA at about $2,300,000. TAG anunal rentals are estimated by OCA at about $600,000 annually, some of which is for stock control work. Virtually all of these rentals are paid to International Business Machines (IBM).

125. Operations of EAM units were reviewed at fifteen installations—Army headquarters, depots, arsenals, stock control offices, procurement offices, and Technical Services Headquarters. Since this is about a 20-percent cross section, it appears representative.

Examination of EAM operations

126. At each EAM installation visited, methods were reviewed and reports verified by reference to a number of source documents, where practical and applicable. Personnel was interviewed, flow of work charts obtained or drawn, and procedures analyzed. The resulting records and reports were studied as to necessity as well as to efficiency of preparation.

Conclusions re EAM operations

127. In the Quartermaster Corps, EAM operations are appraised as being conducted with a high degree of mechanical efficiency. The Ordnance Corps EAM operations are not efficiently performed, and the reports do not, in all cases, have the confidence of the users—resulting in wasteful duplication of manual records. The Chemical Corps installation, which was being very inefficiently operated at the time of the survey, has since been subjected to some analysis and, presumably, some improvement—but the necessity of this installation is questioned. The Army Headquarters M. R. U. was efficiently adding and subtracting what they knew to be incorrect figures. There is a general tendency to use EAM machines for purposes other than those for which the machines were designed and in which they operate efficiently—i. e., as a repetitive typewriter.

128. Mechanical accuracy and efficiency of compilation is only one basis of appraising record-keeping processes. Another is to critically appraise the contents of the records as to form and necessity. Appraised on this broader basis, probably half of the great volume of pages of records and reports being produced daily, weekly, and monthly by EAM Units serve no useful purpose in the Army Supply System, and most of these could be eliminated without material effect on any other Army functions. Because EAM processes are largely mechanical, and, because it is easy to start a machine to running and forget about it, mechanical efficiency is widely mistaken for genuine efficiency. The Comptroller of the Army has not effectively implemented his assigned responsibility for "guiding the effective use of accounting machines," and the Army has no facility for regularly and sharply challenging the necessity of the methods and contents of its reporting system. As a result, thousands of pages of useless reports are regularly prepared in EAM Units without attracting critical attention.

129. Viewed from the broader angle of the practical utility value of the data being produced, only two of the fifteen EAM operations reveiwed are appraised as being efficiently conducted.

130. Some influence appears to have developed a belief within the Army to the effect that electric accounting machines were essential to efficient stock control, and this habit of thought has become so ingrained that EAM is looked upon as a panacea for all stock record problems. The explosion of this assumption and the substitution therefore of intelligent analysis of individual problems is a prime necessity if efficient stock record-keeping is to be accomplished.

131. In none of the fifteen EAM operations reviewed was there disclosed any evidence of initiative action on the part of IBM representatives in suggesting the correction of even the most obvious misuse of IBM equipment. IBM conducted an objective operations survey at Chemical Center with good results. The Army does not appear to be receiving from IBM constructive services in relation to its position as one of IBM's largest customers. Specifically, IBM appears derelict in (1) failure to recommend initiative technical guidance in procedural improvement, and (2) tendency to oversell or to commit the use of IBM machines for purposes other than those in which they operate most efficiently.

Evaluation of Department of the Army Facilities for Supervising the Army Reporting System in Supply and Procurement

Assistant Chief of Staff, G–4, Logistics

Introduction

132. SR 10–5–1 (39)—"The Assistant Chief of Staff, G–4, * * * plans for and supervises Army activities in * * * procurement * * * and supply and logistic services; * * * and directs and controls the Technical Staffs and Services." AR 711–5 (3)—"Basic stock control and reporting procedures are published by the Assistant Chief of Staff, G–4." AR 711–5 (4) (a) "The Assistant Chief of Staff, G–4, in establishing basic policies and procedures, provides for the accomplishment of the objectives of stock control." (b) "All agencies * * * will * * * implement, where necessary, the policies and procedures established by the Assistant Chief of Staff, G–4."

Extent of survey

133. This review and evaluation of the efficacy of the Office of The Assistant Chief of Staff, G–4, in the area of Management of stock record-keeping is, in effect, the composite appraisal of eighty-two field surveys of this area. G–4 was represented on the Advisory Committee which guided the surveys, and had two members of its staff on the Survey Teams.

Delineation of basic statistical requirements

134. The Survey Group does not advocate the standardization of all records and reports throughout all Technical Services. The surveys disclosed some areas of genuine differences which would make it unwise to attempt to create inflexible uniformity in all things. These areas include variations in organization structures and habits of work; basic differences in commodities, markets and rates of turnover; and differing practices and problems in buying, stocking, and issuing supplies. The Survey Group DOES advocate the standardization throughout the Services of certain basic statistical factors wherein uniformity is indispensable to the "management" of the Supply System. These basic statistical requirements are:

(*a*) *G–4 and Headquarters of Technical Services.*—(1) For Selected Items in Supply Control Studies—experience, data, current and projected demand (ZI and Overseas), stock level, serviceable stock on hand, projected procurement requirement, and projected receipts from procurement, manufacture, repair and assembly.

(2) Procurement directives (of substantial monetary value or significance) on which procurement action has not been taken in timely manner—reason?

(3) Procurement actions (of substantial monetary value or significance) on which deliveries are delinquent—why? When will deliveries be made?

(4) On Major Items—consolidated reports of On Hand, Due In, Due Out, Issue Experience and Stock Levels.

(*b*) *Procurement offices.*—(1) Procurement directives—quantity and delivery schedule.

(2) Procurement directives on which procurement action has not been taken in timely manner—reason?

(3) Procurement actions taken—quantity and delivery schedule.

(4) Deliveries made against these Procurement Actions—exact extent of delinquency—reason—when will deliveries become current?

(*c*) *Stock control offices.*—(1) On Major Items—On Hand in all depots, by Condition Code and extent obligated—Due In at all depots, from procurement, manufacturing and repair—Due Out at all depots—issue experience at all depots—stock levels at all depots.

(2) On Secondary Items—lists of "Low Stock" and "Out of Stock" items from mission depots—approximate issue experience, obtained periodically by calculation.

(3) Basis for computation of Gross Requirements (provided by Technical Services), and arithmetical formulae for computation of Net Requirements as basis for Procurement Directives.

(*d*) *Depots.*—(1) On Major Items—On Hand (by Condition Code and extent obligated); Due In, from procurement, manufacturing and repair; Due Out; Stock Levels, reserves and distribution priorities.

(2) On Secondary Items—Issue experience, obtained periodically by computation; Stock Levels.

(*e*) *Army commands.*—(1) By posts, camps, and stations—On Hand, On Memorandum Receipt, Control Level, Due In.

(2) By Units and Organizations—Total Allowance, Operating Allowance, On Hand—on selected items.

(*f*) *Posts, camps, and stations.*—(1) On Hand, On Memorandum Receipt, Control Level, Due In.

(*g*) *Units and organizations.*—(1) Operating Allowance (TO/E, TA as modified); On Hand of Selected Items.

135. The foregoing data, accurately compiled in a uniform and timely manner, will provide all of the basic information required to guide and control the Supply System at all levels. Beyond these basic data, the Technical Services should be permitted latitude in the design of record systems to meet specific requirements, i. e., subsistence, ammunition surveillance, etc.

136. In evaluating the Army Reporting System in these areas and in developing recommendations for improvement, the foregoing standards are utilized as well as the provisions of SR 780–40–1 "Depots—Stock Control and Supply Procedures."

Integrity of records and reports

137. The establishment and maintenance of sound stock level figures to guide replenishment action and identify overstocks is a sound principle of merchandise management. The importance of this management tool to G–4 in its execution of supervision over the Supply System is recognized in SR 780–40–1 (1) "The purpose of these regulations is to—(a) prescribe the principles and procedures of

depot stock control and supply in order to insure that—(7) prescribed levels are employed as a yardstick to determine the objective stockage for each item at the depot and to measure the over-all status of supply of each item so that shortages, excesses, and slow-moving and obsolete stocks may be determined and corrective action be initiated where necessary." The same regulations in Section II (4) read "Heads of Technical Services will insure that (1) stock levels are established at each depot and are at the minimum consistent with practicable distribution; (2) replenishment of depot stocks is based on stock levels * * *." Later in the same section, Subsection (b) reads (1) "The Head of Technical Services is responsible for insuring that the quantity of a given item of all stocks under his control does not exceed the expected issue demands during a specified number of days, as determined by higher authority." G–4 is the "higher authority" referred to in the regulations, and the establishment of stock levels in accord with policies prescribed by G–4 is one of the most important tools of stock management.

138. In the Technical Services surveyed, stock levels were not consistently established in accordance with "higher authority"—in fact they had become almost meaningless. In Quartermaster the figures are consistently reported but have lost most of their meaning because they are not computed on a current basis, are not used in daily operations, and their use has frequently been superseded by opportunistic purchasing. Ordnance follows three different practices. In Ammunition stock level figures are not established at depot levels; in Major Items the forms themselves do not even provide for stock level; in Secondary Items stock level figures do appear when EAM is utilized but the figures which appear are merely the arithmetical addition of gross withdrawals of the preceding three months. Such stock level figures are not recorded or regularly used at stock control points to guide stock replenishment. In Chemical stock level figures were not regularly reported.

139. Stock On Hand figures (by Condition Code and Account) are obtained by perpetual inventory methods, either EAM or manual, and periodically reconciled with physical inventories. Stock In Transit between depots, while actually a part of the National Assets, is recorded only by the Quartermaster Corps among the three Technical Services surveyed. Stock in transit to Stations is not recorded in any manner. Stock On Hand at Stations is recorded by perpetual inventory methods, and certain matériel and supplies in hands of troops is reported from Company property records.

140. As a general rule, stock on hand figures maintained in the presence of the physical stock and in the hands of experienced people are of workable accuracy. For example, no serious error conditions were detected in company property records, station stock records, and stock records at depots and arsenals. The transmittal of these figures is done with less accuracy. National assets are always materially understated by the extent of stock in transit between depots (except Quartermaster) and to the full extent of stock in transit between depots and stations.

141. "Due In" figures serve the primary purpose of informing availability editors as to when they may expect what quantities of new supplies and therefore be better able to handle requisitions. Accurate "Due In" figures are also essential in the computation of requirements. "Due Out" statistics are maintained primarily as a convenient means of recording the quantity which a depot is in a sense obligated to supply out of any new quantities received. "Due Out" figures are also required in the computation of requirements.

142. Except for Quartermaster, neither the "Due In" nor "Due Out" figures are reported with uniformly dependable accuracy. In Ordnance—Ammunition "Due Ins" are not recorded at depot level and Ammunition "Due Outs" are interpreted to mean only ammunition obligations (credit) to using units. Ordnance Major Item "Due Ins" and "Due Outs" are not provided for in the report forms and are not used or reported in any consistent manner. Ordnance Secondary Items do not record or report "Due In" in any consistent manner. "Due Out" is reported.

143. Procurement Office records of Procurement Directives, actions, and deliveries are maintained in full detail at each of the three Services surveyed. The Quartermaster Corps Procurement Office records are maintained by EAM, while Ordnance and Chemical Services utilize manual methods. In Quartermaster and Chemical reports to the Technical Services Headquarters are complete. The Ordnance District Offices report "production schedules and estimates" on Ammunition and Major Items by making monthly correcting entries on typed data supplied by OCO. On Secondary Items a "forecast and progress" report is typed at the

District Offices monthly and submitted to respective stock control points. Regulations do not provide for the regular flow from Technical Services to G–4 of data as to procurement actions not taken in a timely manner or of delinquent deliveries with the reasons therefore.

144. Records maintained at Procurement Offices are appraised as being generally accurate and timely. OQMG has an excellent EAM system. Ordnance records and reports on Secondary Items appear to be prepared in a laborious manner which is not conducive to ready expansion under the accelerated procurement program.

145. Records of property in the hands of Troops and in Station stocks are reported to Army Commands through the Equipment Status Report (CSGLD 212). This system permits errors of omission, and no provision is made for the recording of assets in transit between depots and stations.

146. Equipment Status Reports of assets in the hands of Troops contain a frequency of omissions which cause these reports to materially understate assets, and permit erroneous interpretations of relative equipment status. Reports of station stocks, while less frequently affected by omissions, nevertheless cause some understatement of assets. A sizable understatement of assets is occasioned by the absence of provision for recording matériel in transit between depots and stations.

Stock record-keeping methods and procedures

147. Regulations define the responsibility of the Assistant Chief of Staff, G–4, as including the publishing of basic stock control and reporting procedures and imply responsibility for accomplishing the uniform implementation of these procedures.

148. Even on basic figures there is little uniformity of stock record-keeping methods and procedures between the Technical Services, and in Ordnance there are differences within that Service. G–4 has not effectively supervised the implementation of the regulations which it has prescribed to govern these activities. Some important deflections include (1) the virtual abandonment of stock levels as a guide to stock management; (2) the inconsistent and frequently incomplete recording of "Due Ins" as a guide to requisition editing; (3) the irregular use of "Due Out" figures as a guide to obligations, and (4) the congestion of reporting facilities by the recording of masses of nonessential trivia.

Staffing, training, and supervision of stock record-keeping activities

149. The Chiefs of the Technical Services have the direct organizational responsibility for proper staffing, training, and supervision of stock record-keeping activities, and the Assistant Chief of Staff, G–4, by AR 711–5 (4) (b), is assigned the implied responsibility of seeing to it that these things are well done.

150. The Quartermaster General has established facilities for proper staffing of stock record-keeping activities for the thorough training of personnel in these functions and for the consistent supervision of all matters related to stock record-keeping. The Chiefs of Ordnance and Chemical have not provided such facilities. The accelerated procurement program is placing demands upon record-keeping facilities in these latter Services with which their methods, training, and supervision are not prepared to cope.

Channels of data collection and transmission

151. The Office of the Assistant Chief of Staff, G–4, is herein looked upon as the authoritative channel of statistical data in Supply and Procurement and as such is herein considered as being responsible for the collection and transmission of information required at higher levels to manage the Supply System. The basic needs of Management are to be regularly informed in a timely manner of (1) a condensed statistical statement of objectives; (2) an equally concise statistical statement of progress in relation to the objectives; (3) the means of ready identification of defects; (4) the reasons therefore; and (5) reestimates as the basis of measuring subsequent progress.

152. In the Supply area statistical information available to the Offices of the Chief of Staff and Secretaries is fragmentary and not sharply pointed up for effective management use.

Congestion of supply-reporting facilities

153. AR 711–5 (3) states "Basic stock control and reporting procedures are published by the Assistant Chief of Staff, G–4."

154. The stock record-keeping practices referred to critically in paragraphs 115 to 121, inclusive, and the principles exemplified therein by the records of 3 x 5 index cards, are matters requiring initiative action by G–4.

COMPTROLLER OF THE ARMY

Introduction

155. Title IV, Public Law 216 (81st Congress) defines, in part, the responsibility of the Comptroller of the Army in these terms—"the comptrollers * * * shall be responsible for all * * * progress and statistical reporting." SR 10–5–1 states, in part, "The Comptroller of the Army * * * integrates the review and analysis of Army programs, and formulates, coordinates, and supervises * * * statistical and management engineering activities of the Army." The Secretary of Defense, in a letter dated 27 September 1950, included among the Comptroller activities "Statistical and progress reporting." These extracts clearly establish the dominant responsibility of the Comptroller in the formulation, coordination and supervision of the statistical activities of the Army at all levels.

156. At the same time, the OSD letter of 27 September affixes the responsibility of the Comptroller of the Army for assigned activities at subordinate levels by saying:

"* * * it is recognized that a large part of the Comptroller activities will be performed at various organizational and command levels, while the Comptroller retains functional control over such activities. Functional control signifies the power and duty to prescribe policies and procedures, to require compliance therewith, and to review or audit activities within the area of responsibility."

Comptroller organizations at subordinate levels

157. Included in the eighty-two surveys were fifteen Class II and I installations at which Comptroller organizations might have been installed in accord with existing practice. In all of the eighty-two surveys, study was made of the effect of the supervision of stock record-keeping activities by the organizational Comptrollers, if any such were appointed. Where no such appointments were effective, study was made to determine the effect, if any was distinguishable, of the absence of assigned Comptrollers.

158. Collateral observations of Comptroller-type activities were made at each installation visited. In several, these activities were scattered with no one identified as Comptroller. In others, the appointed Comptroller was inadequate or had other duties which intruded. One had business-type Comptroller activities in process of development. None showed the effect of central planning, training, and supervision.

Congestion of supply reporting facilities

159. The stock record-keeping practices described in paragraphs 115 to 121, inclusive, and the principles exemplified therein by the records of 3 x 5 index cards, are a principal source of many of the Army's supply reporting problems—staffing, training, supervision, interference with accurate and timely flow of essential data, high record-keeping costs, etc.

160. A substantial portion of the wasteful practices which congest the supply reporting system with nonessential data is traceable to the procedural necessity of carrying stock balances in such great detail. The Accounting Policy Division, Office, Comptroller of the Army, which governs these matters, was not aware of the effect of their policies in these respects.

161. The Reports Control Branch of the Program Review and Analysis Division, Office, Comptroller of the Army, appears to be effectively accomplishing the control of the establishment of reports, but does not appear to be effective in preventing the encroachment of trivia in authorized reports. The prevention of the misuse of authorized reports requires facilities for the objective study of reports as issued—both in the office and in the field. Preparation for field study has been made by the establishment of a Field Liaison Branch of PRAD, but its staff is inadequate and lacks experience.

162. The Depot Transaction Registers account for about one-fourth of the total volume of stock records. They are made for audit purposes only, but probably not more than ten percent of these expensively prepared journals are ever used for any audit purpose. The Audit Division, Office, Comptroller of the Army, is primarily responsible for this wasteful practice.

163. The Management Division's responsibility for guiding the effective use of EAM operations is not being aggressively implemented. Thirteen of the fifteen EAM installations reviewed were not being efficiently conducted. The facilities and plans of the Management Division for guiding effective use of EAM are not broad enough in their concept to successfully combat the effect of IBM sales promotional programs.

164. The Management Division, Office, Comptroller of the Army, which regularly conducts extensive Management Audits (currently, Ordnance, Quartermaster, and Chemical Corps—of which the survey being reported herein was a part—and Transportation Corps) fourteen months ago reported the conditions herein exemplified by the 3 x 5 index cards. Army-wide implementation of corrective action was not accomplished.

Army audit programs

165. The Audit Division, Office, Comptroller of the Army, comprises a staff of over one thousand employees, many of whom are continuously engaged in "on the ground" inspection of property accounts (stock records).

166. The Army Audit staff could be to the Comptroller a source of penetrating knowledge as to easily detectable inefficiencies and violations of supply regulations at Class II and Class I installations. These facilities have not been used to acquire knowledge as to field conditions or as a means of enforcing Regulations dealing with the accuracy of figures in the supply area.

Statistical data available to Offices, Secretary of the Army and Chief of Staff, for management of supply system

167. The effect of the beginning of hostilities in Korea was almost immediately felt in the increased tempo of both procurement activities and depot operations, with work loads amounting to several times the peacetime average for the past ten months and still moving toward a peak. Records and reports which may have been adequate to the management and control of a rountine peacetime supply system do not define problem areas sharply enough to be effective management tools during a greatly accelerated program.

168. The reports which the Comptroller of the Army is making available to the Offices, Secretary of the Army and Chief of Staff, for management and control of the Supply System are known to be inadequate. A program of expansion of coverage is under way, with adequate coverage of basic statistical data scheduled to be complete by 30 June.

169. The adequacy of these basic data cannot be fully appraised until plans have progressed beyond their present point. To be fully effective, they must be "working" reports which sharply measure current operations against well-defined objectives or standards of performance, and which are skillfully interpreted by men of broad experience in the respective areas in order that the full management significance may be obtained.

Summary of Conclusions

Adequacy, Reliability, and Timeliness of Data, and Efficiency and Economy of Processes

Adequacy of data

170. Company Property Records and Station Stock Record appear to meet all local requirements. The transmittal of equipment status data on selected items directly from troop units and station stockrooms to Machine Records Units at Continental Army Headquarters bypasses Headquarters of Posts, Camps, and Stations, leaving the latter without a regular source of statistical information as to Equipment Status of Units within their command. G–4 and Technical Services Officers at Continental Army Headquarters (in the Army surveyed) had only passing knowledge of Equipment Status of Troop Units and Station Stock conditions within the Army command because a single copy of the #212 Report was passed from office to office. This is believed to have been later corrected by the sectional preparation of the #212 Report, one for each Technical Service. The Office of the Comptroller of the Continental Army surveyed did not receive the #212 Report. No record or report reflects assets in transit between depots (Class II) and posts, camps, and stations (Class I).

171. At Class II distributive points (depots, arsenals, etc.) the records of stock on hand appear to meet all local requirements. Records of "Due In" are not maintained by Ordnance and Chemical Corps, but the Quartermaster Corps does consistently maintain such records. "Due Out" records are maintained in the Quartermaster Corps; have a different meaning in Ordnance-Ammunition; and are not consistently recorded in Ordnance-Major Items or Secondary Items, or in the Chemical Corps. The Quartermaster Corps records Stock Level with some consistency ,but the figures are meaningless. Stock Level is not consistently recorded by the Ordnance or Chemical Corps. Data furnished by the depots to stock control points appear to meet local needs as to stock on hand, but are incomplete as to "Due In" and "Due Out" in the Ordnance and Chemical Corps.

Stock Level figures, which should be important guides to stock replenishment actions, are either not consistently reported to stock control points or, if reported, the figures are meaningless. Assets in transit between depots are recorded only by the Quartermaster Corps. Procurement Office statistical data are adequate at that level, but all items are consistently reported to Technical Service Headquarters only in the Quartermaster Corps. In Ordnance and Chemical Corps procurement data are supplied to Corps Headquarters only on selected items. Procurement data furnished by Procurement Offices to supply control points appear adequate except that Ordnance and Chemical Corps do not consistently specify consignee depots and delivery dates, thus making it impossible to establish realistic "Due In" figures for guidance in replenishment actions. OQMG records are complete and adequate. OCO and OCCO records are incomplete in the sense that they must rely upon remote stock control points for any data required on other than a comparatively few selected items.

172. The comparatively few items which appear on Supply Control studies and/or on the #308 Report were the only supply statistical data which regularly flowed into G–4 at the time of the field survey being reported herein. Subsequently, plans have been made to extend the coverage and improve the presentation. Appraisal of the soundness of these plans will have to wait until they have taken more tangible form. The Comptroller of the Army collects and transmits to higher levels virtually no regular statistical data in the supply area, relying upon the plans referred to in the preceding sentences to meet all requirements. Thus, the greatest inadequacies in the Army Reporting System in the Supply area are in the data needed to manage and control the supply system at levels of top responsibility.

Reliability of data

173. Company Property Records appear to be maintained with generally acceptable accuracy, but the frequency of erroneous interpretation of TO/E and omissions of reportable data destroy the value of Equipment Status (#212) reports as guides to the equipment status of individual Troop Units. Station Stock records were found to be generally reliable (one conspicious exception) but omissions of some required figures and a few errors cause the #212 Reports to be considered as somewhat less than reliable. The Headquarters M. R. U. surveyed was accurately summarizing figures which it knew to be unreliable. Assets in transit between depots and stations are not recorded.

174. In the Quartermaster Corps, depot records are maintained with only commercially normal error conditions which do not impair their usefulness at other levels. In Ordnance, the depot ammunition record system is sound and capable of producing accurate reports if properly supervised. Ordnance depot records on Major Items and Secondary Items are generally not reliable sources of data as to available assets. Chemical Corps depot records contain inconsistencies and omissions sufficient to make them unreliable as guides to stock management. In none of the Services surveyed were "Stock Level" figures reliable. "Due In" and "Due Out" figures are reliable only in the Quartermaster Corps. At stock control points, Quartermaster records are accurate enough to meet all practical requirements, while Ordnance and Chemical records are frequently incomplete, confused, and unreliable. In the Ordnance Corps, locally improvised systems and records contribute to the unreliable nature of records and reports at stock control points. Procurement records are reliable in all Services surveyed. OQMG records in other areas are reliable enough for all practical purposes, but OCO and OCCO records do not always meet this standard. Records at Department of the Army level, being generally accurate summarizations of data appraised in the foregoing sentences, are subject to the same appraisals as to reliability.

Timeliness of data

175. Equipment Status reports move from Troop Units and Station stockrooms in a timely manner to Continental Army Headquarters MRU, where they are promptly processed. The preparation of a single summary, and the slow circularization of that among the Technical Services Officers meant that only one officer (the first on the list) received the data in time to be most helpful. This may have been corrected since the survey.

176. Transaction Registers, Transaction Analyses, and Stock Availability reports are timely in the Quartermaster Corps system. Ordnance Corps reports are submitted as scheduled, in a timely manner, but unauthorized early cut-offs, combined with delayed posting of basic records, nullify this apparent timeliness. Chemical Corps reports, being part manual and part EAM, have inconsistent

cut-offs, overlapping flow of documents and long delay in preparation—and are not timely. Procurement reports are timely in all Services surveyed. The fragmentary supply reports prepared at the Department of Army level are generally not timely, excepting only the No. 308 report.

Emergency and economy of processes

177. The present processes of preparing the Equipment Status (No. 212) reports on EAM are inefficient and uneconomical. A contemplated change in the system by requiring the Troop Units and Station stockrooms to submit notices of changes as they occur from day to day, while mechanically more efficient, is still probably not as efficient as the use of preprinted lists for each TO/E organization. The use of EAM as a repetitive typewriter to type the certificate which accompanies the 212 Report is uneconomical.

178. The EAM preparation of Transaction Registers to record every debit and credit to every size of every color of every stock number, in every account, and in every condition code, which is done solely for audit purposes, is inefficient and uneconomical. Since only a small percentage of these journals is ever used for any purpose, more economical means should be found to meet audit requirements.

179. The maintenance of perpetual inventory records on every size of every color of every stock number in every location, applicable account and condition code, regardless of value, is manifestly uneconomical. The excessive degree of subdivision, particularly by accounts, causes a great many "adjustment" entries (21 percent and 25 percent of all entries in two test observations), is conducive to delays and errors, and is uneconomical. The stock record-keeping and reporting excesses, and resuting inefficiencies, illustrated herein by the example of 3 x 5 index cards, is a major cause of congestion, inefficiency, and wastefully high costs in the Army supply reporting system.

180. In the Quartermaster Corps, the Station Stock Status Report (Subsistence) is not efficiently prepared by using the EAM as repetitive typewriters.

181. The basic depot stock record systems (except for the encroachment of trivia) are efficient and economical in concept in the Quartermaster Corps and Ordnance-Ammunition. The former is executed through EAM, while the latter is a manual operation up to the point of final summarization at the Stock Control point. The Ordance-Major Item depot record system, entirely manual, is inefficient and uneconomical. The practice of retyping all details appearing on Major Item Status reports is an extravagant waste of time and money. The Ordnance-Secondary Item depot systems, principally EAM, are both inefficient and uneconomical—and require duplicated manual records (locally improvised, and themselves inefficient) to meet the needs of stock control points. The Chemical Corps depot stock record systems, part manual and part EAM, are consolidated in an inefficiently operated EAM unit at Chemical Center—and the over-all results are both inefficient and uneconomical.

182. At Procurement Offices, the Quartermaster system (EAM) is outstandingly efficient, while the Ordnance and Chemical systems (manual) appear to be efficient at present levels of activity. In Ordnance, at least, more efficient systems may be needed to carry the contemplated heavier workload. In the Quartermaster Corps, the eighteen codes used to designate reasons for delinquency are too numerous, conflicting and overlapping to be efficient.

183. In the Ordnance Corps, lack of uniformity of even basic definitions and procedures between the three commodity groups, and between installations within each group, is a major source of inefficiency. Locally improvised records compound the inefficiencies by making it difficult, if not impossible, to issue uniform directives.

184. The Ordnance Corps' segregation of "Secondary Items," and the assignment to depot commanders of the responsibility for stock replenishment of such items, is a sound step toward efficient merchandising of these items. Their supply records of "Secondary Items," however, are much more extensive than needed to manage the supply system, and the complete duplication of such records at stock control points is uneconomical and unnecessary.

185. Critical appraisal of the contents of supply records and reports produced in the fifteen EAM operations observed leads to the conclusion thirteen of those fifteen EAM operations are not being efficiently conducted.

186. No evaluation could be made of the efficiency and economy with which statistical data were collected, interpreted and presented at Department of the Army levels because such data were too fragmentary to permit analysis.

Relationship between quality of supply records and efficiency of processes on the one hand, and administrative activities on the other

Quality and efficiency related to competence of staffs

187. The quality of the personnel in the working staffs of the stock record-keeping activities surveyed appeared to be fully as good as would be found in similar activities in commercial enterprises. The adequacy of pay rates varied between communities, with the impression being that Army rates were somewhat low in geographical areas where competition for people was most intense, such as in New York, Detroit, San Francisco. As a general thing, the employee turn-over in lower grades appeared excessive, but at almost all places this loss of experience was somewhat offset by the retention of the skill and experience of "key" members of the working staffs who had advanced to higher pay grades. With some individual exceptions, the quality and efficiency of supply reporting activities was not adversely affected by the inherent quality of the personnel of the working staffs.

188. The survey teams were favorably impressed by the quality of civilian personnel in local supervisory capacities, and by their experience, competence, and devotion. This was particularly apparent among civilian supervisors of EAM operations.

189. In the Quartermaster and Chemical Corps and in the Continental Army MRU there was noted a tendency to install military personnel as supervisors in EAM activities. Generally, such military personnel was without extensive experience in either stock records or EAM activities, and were more or less in training for some broader purpose. The installation of such military personnel may be justified for training purposes only, but could not be justified by their contribution to current stock record-keeping performances. In the Ordnance Corps, such military personnel as were observed were in positions of top responsibility, and were entirely reliant upon experienced civilian supervisors.

190. At Headquarters of the Technical Services surveyed, the civilian and military personnel responsible for stock record-keeping activities at subordinate levels appeared competent in OQMG, but somewhat less than adequate in OCO and OCCO. In G–4 policy levels, there appears to be an adequate number of experienced and competent supply men, both civilian and military. The staffs of the Comptroller of the Army which are directly concerned with the collection, interpretation and presentation of supply data do not appear to include a sufficient number of men who are skilled or long experienced in the areas of procurement and distribution.

Quality and efficiency related to supervision (above the operating levels)

191. As a general rule, departmental units which maintain supply records are under the immediate supervision of someone who is neither directly concerned with the quality of the product or particularly skilled in statistical processes. In the Ordnance Corps, the practice is to include stock record units in the Stock Control group. Quartermaster and Chemical Corps generally assign supervision of stock record units to a "Services" office of one designation or another. At Continental Army Headquarters, they are performed by MRU supervised by the Adjutant General. The conclusion reached by the survey group is that the most effective supervision would be to place stock record-keeping under the direction of those most directly concerned with the quality of the product—such as G–4 officers at Continental Army Headquarters, heads of stock control activities at distributive points, etc. The relationship of the quality of records to the quality of local supervision of record-keeping activities is obscured by the greater effect of the quality of supervision and assistance from higher levels.

192. In OQMG, supervision of field stock record-keeping activities is the responsibility of the Logistics Compilations Branch of the Supply Division, and is appraised as being very well done—with frequent field contacts, occasional conferences with centrally maintained reserves of trained men, and with facilities for "trouble shooting" assistance when needed. In OCO, the Field Service Division assigns responsibility for supervision of stock records to the Operations Branch, which possesses no facilities for field supervision, "on the job" or conference training, and maintains no reserves of trained personnel or facilities for "trouble shooting." In OCCO, supervision of stock records is divided and inadequate. By inductive reasoning, the conclusion is reached that the most effective supervision of supply record-keeping activities would develop by delegating this responsibility to the organizational unit within each Technical Service most directly concerned with the quality of the end product. For example, OQMG and

OCCO, Supply Division; OCO, Field Service Division. Admittedly, the inclusion of procurement records is inconsistent, but it seems to be the best that can be done within the general pattern of Technical Services organizations. There is a distinct and readily traceable relationship between the quality of records and efficiency of processes on the one hand, and the quality and adequacy of Technical Services supervision on the other.

193. The lack of uniformity in the Technical Services implementation of Supply Record Regulations and directives published by the Assistant Chief of Staff, G–4, is tangible evidence of the latter's lack of effective supervision of supply record-keeping activities. The accomplishment of central management of the Supply System requires that a uniformly high quality of records be maintained in accord with published standards. Such is not now the case, and the quality of data used to guide and control the supply system at all levels is frequently less than satisfactory.

194. By statute and regulations, the Comptroller of the Army is delegated top responsibility for statistical reporting. In the installations surveyed, there appeared no tangible evidence of the effective implementation of this assigned responsibility. The need for such general policy supervision was frequently noted, particularly in areas bearing upon accounting and auditing policies which have contributed to the congestion of reporting facilities.

Quality and efficiency related to procedures, practices, forms, and equipment

195. The quality of essential supply records is adversely affected by the procedures and practices which permit or require the inclusion of great masses of nonessential and trivial data. These trivia include perpetual inventories on every size of every color of every number in every applicable location, account, and condition. They include the assumed necessity of preparing Transaction Registers. In an over-all sense, they probably contribute more to inefficiency and high record-keeping costs than any other influence.

196. The procedures and practices used by the Quartermaster Corps generally meet all tests of efficiency and economy and produce records of quality (excepting only the effect of trivia commented upon above). In the Ordnance Corps (1) stock record procedures in ammunition are an excellent example of a well-engineered manual system; (2) the "Major Item" record system is clumsy, inefficient, and produces records which are not of consistently good quality; and (3) the "Secondary Item" systems are not well designed, cut-offs are unrealistic, and resulting records not always reliable. Chemical Corps systems are not well engineered and reports are inefficiently and uneconomically prepared.

197. The practice of using EAM equipment as repetitive typewriters is neither efficient nor economical. The custom of reproducing decks of cards and shipping them to stock-control points for consolidation is inefficient and uneconomical because of the inclusion of hundreds of thousands of cards containing trivial data of no material consequence in stock-replenishment actions. Such practices are very wasteful of EAM machine time, cards, paper, shipping facilities, manpower, and money.

198. The Ordnance Corps practice of permitting local improvisations of forms and systems frequently results in local inefficiencies and poor quality of reports, which adversely affect subsequent record-keeping activities. The survey group concludes that quality of records and efficiency of processes is largely dependent upon uniformity of procedures, practices, and forms within similar operations in a Technical Service.

199. Nearly every report in the Supply area is at one stage or another processed through Electric (Punched Card) Accounting Machines. In some areas EAM operations are conducted with mechanical efficiency; in others the efficiency rating is very low. In all areas large waste results from the recording of nonessential and trivial data. Half or more of the volume of Supply records and reports now being produced by EAM could be eliminated without significant effect upon any Army operation. The general belief that Electric Accounting Machines are essential to efficient stock record-keeping was not supported by any evidence developed during the survey. Reduction in the number of accounts, elimination of trivia, and discontinuance of Transaction Registers will reduce the EAM workloads to a point where other methods may be more efficient in many installations. The Army's facilities for objective analysis of EAM performance is not strong enough to successfully combat the effect of IBM sales-promotional influence.

Quality and efficiency related to instructions, manuals, and other guidance

200. The product of supply record-keeping activities is no better than the instructions, manuals and other guidance under which such activities are conducted. This self-evident truth sets the standard against which instructions, manuals and other guidance are herein appraised. The Quartermaster Corps is rated in this respect as having an excellent and effective set of manualized instructions, which supported by consistent training and supervision, is efficiently producing records of sound quality—excepting only the inclusion of trivia. The Ordnance—ammunition systems are adequately manualized, and, if supported by consistent training and supervision, are capable of efficiently producing sound records. The Ordnance—Major Item and Secondary Item systems, and the Chemical Corps systems are not sufficiently detailed and explicit to accomplish uniformly sound operations. Instructions relating to the preparation of the Equipment Status (No. 212) report series are explicit but unsound in some respects. Accounting and auditing record processes are intermingled with stock record processes. The accounting and auditing instructions are inadequate and contribute to the wasteful inclusion of much trivia in stock records.

Quality and efficiency related to degree of detail or fineness of breakdown

201. As a general rule, the Army supply record and reporting systems are a patchwork intermingling of operating, merchandising, accounting and auditing data designed more to suit the mechanical limitations of EAM equipment than to best serve the purposes of the respective users. In attempting to serve so many purposes, the reports are overworked and contain an overwhelming mass of nonessential detail. A typical Transaction Analysis report, the primary purpose of which is to classify and summarize transactions for stock-control use, uses about two-thirds of its informative columns to record data of no use in stock control, throws meaningless sub-totals every two or three lines, and never does come up with the essential figures of "total demand" for any location. A typical Stock Availability report lists stock on hand in sequence of "accounts" rather than "locations"—the latter being the principal determinant in replenishment actions. At no place are figures of supply and demand brought into juxtaposition for efficient determination of replenishment actions.

202. Accounting policies which permit or require the maintenance of a separate "set of books" for every size of every color of every item in every location and condition, regardless of value, are obviously unsound. Auditing policies which permit or require the preparation of Transaction Registers are clearly wasteful.

Quality and efficiency related to general organizational structure or methods of substantive operation of the Army agency concerned

203. The flow of supply data through the Continental Army surveyed was outside of command channels, and had the effect of depriving intermediate command levels of data on equipment status of units within their respective commands.

204. The Quartermaster Corps' organization structures in the supply area have clearly defined responsibilities, are independent in resources, and self-supporting. In the Ordnance Corps, the District Offices, stock control points, Key Depots, arsenals and distributive points have areas of overlapping responsibilities which complicate the flow of supply data. The Chemical Corps has the disadvantage of its supply statistical unit located some sixty miles from its Major item stock control office.

205. The Assistant Chief of Staff, G–4, while having the responsibility for publishing regulations which govern the supply system, apparently lacks facilities for the direct supervision of the implementation of such regulations at subordinate levels.

206. The Comptroller of the Army, with over-all responsibility for statistics, has not yet fully utilized all of his facilities to accomplish the maximum quality of records and efficiency of processes. These facilities, which appear to be adequate, in their potential, at least, include extensive field audit staffs, a large Management Audit staff, a Technical Liaison Branch, Reports Control Branch, Property Accounting Branch, and functional relationships with Comptrollers at subordinate levels.

SUMMARY OF RECOMMENDATIONS—PART I

Continental armies' (class I) reporting systems

Action	
G–4	207. Recommend that Equipment Status (#212) reports for Troop Units be prepared by monthly transcripts from Company Property Records to preprinted lists which contain, for each TO/E organization, the bases for the ready computation of Total Allowance and Operating Allowance figures. Recommend that reports from Station stockrooms be prepared by monthly transcripts from Station stock records to preprinted lists. This plan will obviate the use of EAM equipment as a repetitive typewriter in typing certificates.
G–4 Cont. Armies (ZI) Compt.	208. Recommend that #212 reports be routed upward through command channels for progressive assumption of responsibility for accuracy, and that information copies be provided for post, camp or station commanders, for Technical Services and G–4 officers at Continental Armies Headquarters, and that the Continental Armies Comptrollers receive copies for interpretation and presentation of data to Army commanders. Recommend that specific tests be conducted to determine the most economical means of preparing summaries, i. e., EAM or Comptometer.

Transaction registers

Compt.	209. Recommend discontinuance of Transaction Registers, with the Audit Division, Office, Comptroller of the Army, prescribing the documents to be retained for purposes of audit.

Technical services' (class II) reporting systems

210. Recommend that the "working" reports (Transaction Analyses and Stock Availability) be cleared of trivia by—

G–4	(1) The establishment in each Technical Service of a "Secondary Item" classification to include all low-unit-value, commercially available, expendable items; all items of infrequent issue; and all items on which stocks will meet contemplated needs for, say, the next two or more years.
G–4	(2) Assignment of responsibility for stock replenishment of such items to Depot Commanders, who would requisition directly upon designated manufacturers under "open end" or "blanket" contracts. (*Note.*—The Government Operations Subcommittee of the Committee on Expenditures in the Executive Departments, in a draft report dated 28 February, stated "* * * very little use is being made of 'open end' contracts * * *. Obviously, the use of contracts of such nature reduces the amount of paper work incident to, as well as the expense of making individual purchases. They are particularly appropriate and beneficial in the small purchase area."
G–4	(3) Apply to such items the simplest possible methods of determining the need of stock replenishment, i. e., marked bins, periodic stock checks, etc.
G–4	(4) Discontinuing all perpetual inventory records and reports on such items, and substitute therefor a quarterly stock check report on quantities segregated for various mobilization purposes.
Compt.	(5) Abandoning the practice of keeping stock balances for every size of every color of every item by acounts—i. e., Army, Army ROTC, Army ORC, Army NG, Air Force, Air ROTC, Air ORC, Air NG, MDAP, etc. An accelerated application of the Stock Fund principles would help accomplish this purpose. (*Note.*—The House subcommittee draft report referred to above, states "The Subcommittee therefor recommends that the Secretary of Defense consider the taking of such action as may be necessary to convert the Tank-Automotive Parts Center to a stock fund operation at the earliest posible date, and to notify the Subcommittee of his decision in the matter. Further, the Subcommittee recommends that a solution to the Department of the Air Force's "equity" of $200,000,000 in Army parts stocks be de-

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veloped so as to eliminate unnecessary processing, in a manner satisfactory to the House Appropriations Committee."

(6) Establishing firm policies prohibiting the issue of such items in uneconomically small quantities, requiring the users to make local purchases of quantities to small for economical issue. — G–4

211. Recommend that all Technical Services be required to consistently record "Due In," "Due Out" and "Stock Level" figures in accord with applicable regulations. Recommend the recording of assets in transit between depots only on identifiable major items, such as tanks, trucks, artillery, etc. — G–4

212. Recommend that comparative procurement—delivery records flow to Offices, Chiefs of Ordnance and Chemical Corps, on all items which may be identified from time to time as representing problem areas in supply, to be there used as a follow-up mechanism. — G–4 OCO OCCO

213. Recommend that Ordnance District Offices and Chemical Procurement Offices specify to depots the consignee depots and estimated delivery dates on all procurement actions—thus making it possible for depots to establish realistic "Due In" figures for guidance in handling requisitions, extracts, replenishment actions, and so forth. — G–4 OCO OCCO

214. Recommend that the Ordnance Corps' Major Item Status Reporting system be redesigned to incorporate the principles of the Ordnance-ammunition reporting system—thus obviating the typing and retyping of monthly reports. — G–4 OCO

215. Recommend that the Chemical Corps discontinue its attempt to maintain stock records on centralized EAM at Edgewood; that it discontinue the flow of original documents from depots into Edgewood; and that it adopt a manual record system patterned after the Ordnance-Ammunition reporting system. — G–4 OCCO

216. Recommend that the Ordnance Corps discontinue the practice of maintaining locally improvised hand-posted records at Secondary Item Key Depot and stock control points. — G–4 OCO

217. Recommend that the Quartermaster Corps' Station Stock Status Report (Subsistence) be prepared on preprinted lists rather than EAM. — G–4 OQMG

218. Recommend that the Quartermaster Corps' procurement records reduce from eighteen to three the number of codes used to designate reasons for delinquent deliveries—each with appropriate comment. The three suggested are: manufacturers' fault, Army's fault, and beyond control. — G–4 OQMG

Department of the Army reporting systems

219. Recommend that supply records be subdivided into three distinct classifications—(1) Major procurement program, (2) Supply program, and (3) Major special procurement programs. Recommend that the Comptroller of the Army produce matériel reports in these subclassifications as follows: — Compt. G–4

(1) Major procurement program: (Army program #9) for major items of equipment consisting of weapons, vehicles and other items of major importance, recommend that records show by items, for the current and next succeeding fiscal years, (a) quantity required to meet objectives of all authorized programs, (b) quantities for which the budget provides funds, (c) quantities under contracts or other procurement actions—with contract delivery schedules by months to end of next fiscal year, and (d) actual deliveries by months—with realistic delivery projections by months to end of next fiscal year. Recommend that figures be cumulative. (*Note.*—The Offices, Comptroller of the Army and Assistant Chief of Staff, G–4, have developed the groundwork for such a report in Army Progress Report 9A, first issued as of 31 March 1951. Only minor alteration would be required by the foregoing recommendations.) — Compt. G–4

(2) Supply program: (Army program #10) for supplies and equipment, recommend that principal reliance for inventory control be upon the adherence by Technical Services (closely supervised by G–4) to Regulations which prescribe the bases of establishing "Stock Levels," and the control of inventories within these prescribed limits. Recommend that "Stock Level" figures — Compt. G–4

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be subdivided into two parts, (a) stocks being accumulated in excess of current needs to meet programmed purposes, on which the "Stock Level" figures become program objectives, and (b) stocks maintained to meet current supply needs, on which normal turnover is to be accomplished. For the former, recommend quarterly "stock check" approximations of progress in relation to objectives. For the latter, recommend that perpetual inventory records be discontinued, with reliance upon systems described in paragraph 210 for control of inventories. Recommend that depot operations be reflected in reports which will show comparative workloads, costs, etc. Such reports are now being designed by Offices, Comptroller of the Army and Assistant Chief of Staff, G–4.

Compt. G–4 (3) Major special procurement programs, such as facilities, tools, lumber, petroleum, wool and cotton goods. Recommend schedules similar to those described in paragraph 219–(1).

(*Note.*—The recommendations in this paragraph appear to meet the requirements imposed by the President at a meeting on the defense production program, 27 April 1951.)

Compt. G–4 220. Recommend that the Offices, Comptroller of the Army and Assistant Chief of Staff, G–4, jointly issue to higher levels, simultaneously with the issuance of reports described in paragraph 219, analytical statements interpreting significant figures and trends within the accompanying report series. Recommend that these analytical statements be designed to (1) be informative on general trends, and (2) be specific in identification of problem areas as precise follow-up mechanisms for management of the supply system. As a step in the Comptroller participation in the foregoing recommendation, recommend that applicable members of the Comptroller staffs undergo a thorough orientation in all of the supply processes.

Supervision of the supply reporting system

G–4 221. Recommend the adoption of an organizational policy of placing local stock record-keeping activities under the direct local supervision of those most directly concerned with the quality of the end product—such as G–4 officers at Continental Army headquarters, heads of stock control activities at distributive points, etc.

G–4 222. Recommend that Ordnance and Chemical Corps provide organizational facilities patterned after those utilized so effectively in the Quartermaster Corps to accomplish close supervision over staffing, training and operations of field stock record-keeping activities—including field supervisory controls not less frequent than quarterly; "on the job" and conference training as required, but not less often than semi-annually; and direct "trouble shooting" assistance as needed. Recommend that reserves of trained personnel, particularly civilian supervisory personnel be maintained. Recommend that these supervisory facilities be located within the organizational units most directly concerned with the quality of the end product, i. e., OCO, Field Service Division; OCCO Supply Division.

G–4 223. Recommend that the Supply Division, Office, Assistant Chief of Staff, G–4, provide organizational facilities through which it can accomplish uniform application of G–4 directives throughout the Technical Services. Recommend that such facilities include sufficient skilled personnel to make at least semi-annual inspections of every procurement office and distributive point for the specific dual purposes of (1) appraising and reporting the status of implementation of G–4 supply directives, and the quality of records and efficiency of processes, and, (2) gathering field data in these areas as the basis for improved directives. Recommend that such facilities also include the means of collecting, interpreting and acting upon all applicable reports of the Inspector General, Army Audit Agencies, Management Surveys and other data regarding supply conditions in the field.

Compt. 224. Recommend that every possible effort be put forth to expedite the establishment of effective Comptroller organizations at subordinate levels, as a means of implementation of the responsibilities assigned to the Comptroller of the Army by Title IV, Public Law

Action

216. To accomplish the foregoing objective in an organized manner and as expeditiously as possible, recommend that a Division, Office, Comptroller of the Army, be created for the explicit purpose of guiding and expediting the staffing and training of Comptroller organizations at subordinate levels, and for the continued staff supervision of the performance of such organizations. Recommend that the Division herein described have three branches:

(1) *Personnel.*—to define the qualifications of key personnel, advise on relative military ranks and civilian grades, search out sources of manpower, establish and maintain reserves of trained men, and guide assignments and promotions—all within established channels.

(2) *Training.*—to supervise and correlate the preparation of training material, and conduct organized training courses in all phases of Comptroller activities—both in classrooms and "on the job."

(3) *Staff supervision.*—to be comprised of a specialist in each of the five Divisions of the Office, Comptroller of the Army; to rotate among Comptroller organizations at subordinate levels for the dual purpose of (1) advising on current operations, and (2) gathering data in the field on progress and problems within the Comptroller areas as guides to Army-wide treatment.

225. Recommend that the Management Division, Office, Comptroller of the Army, organize to accomplish effective control over all phases of the use of Electric Accounting (Punched Card) Machines—extending from control over the authority for use to close supervision of the intelligent use of existing equipment. Compt.

226. Recommend that the basic principles of EAM operations be standardized throughout the stock record-keeping activities of the Army, with forms and procedures subject to standard engineering design under the staff guidance of the Office, Assistant Chief of Staff, G–4. Recommend that G–4 organize to provide a staff of technically competent men of sufficient breadth and stature to effectively explore stock record-keeping processes at policy-making levels, and all EAM users should have access to this skilled guidance in all matters pertaining to EAM operations in the supply area. Recommend that this skilled staff regularly analyze all EAM records and reports where there is indicated evidence of inefficiency and of practices which produce nonessential data. Recommend that the IBM Corporation be required to use the twenty-five technicians which it states it has available for the exclusive use of the Army to make a regularly scheduled tour, under the direction of G–4, of all Army IBM installations for the objective purposes which characterized their analysis of IBM operations at Army Chemical Center, Edgewood. G–4

227. Recommend that the Management Division, Office, Comptroller of the Army, which regularly conducts extensive Management Audits, establish faciilties by which the problem areas exposed by these Management Audits are regularly studied for the widest possible application to organizations other than those being surveyed; guide publication of appropriate Regulations or instructions; and follow through on implementation. Recommend that the foregoing be done concurrently with the conduct of the surveys, without awaiting formal reports, in order that full advantages be obtained as quickly as possible. Compt.

228. Recommend that the Audit Division, Office, Comptroller of the Army, broaden their sphere of interest to include examination of the implementation of G–4 Supply directives and other readily detectable inefficiencies—and report defects in an organized way to the Management Division, Office, Comptroller of the Army, for prompt Army-wide corrective action. Compt.

229. Recommend that the facilities of the Inspector General be regularly used to examine and report on the implementation of key directives in the Supply area.

230. Recommend that the Reports Control Branch, Program Review and Analysis Division, Office, Comptroller of the Army, estab- Compt.

Action

lish the facilities needed to prevent trivia from encroaching upon authorized reports, by organized reviews of typical issues of completed reports, with a searching analysis of the contents for evidence of the inclusion of data not contemplated when the report forms were originally authorized.

Instructions, manuals, and other guidance in supply reporting system

231. Recommend that the Ordnance and Chemical Corps be required to materially strengthen the staffs assigned to the development of procedures and manualization of instructional material—and that procedures be manualized in specific detail, in a pattern which has been successfully established by the Quartermaster Corps. Recommend the elimination of all locally improvised systems and records, and the exact standardization of all related activities.

SUMMARY OF RECOMMENDATIONS—PART II

Introductory note

232. The surveys reported herein were conducted within the comparatively narrow assignment of examination of adequacy, reliability and timeliness of existing records and reports in the Supply area. The performance of the assigned analyses, however, brought the survey group into contact with other problem areas in which there appeared substantial evidence that examination could be profitably pursued. Accordingly, this section is appended to the formal report to catalog matters which, while outside the scope of the survey, should be examined with a view to reaching conclusions.

Recommended areas for further examination

233. In the Ordnance Corps, the survey disclosed substantial reasons for the belief that performance could be improved by a clarification of the organization structure to permit clear, sharp definitions of responsibilities at all levels. The underlying organizational philosophy of decentralization of authority is sound if accompanied by clearly defined responsibilities, clearly stated objectives, clearly prescribed formulae and methods, and the statistical and supervisory means of retaining centralized control. However, in practice, Ordnance Corps responsibilities and objectives are not always clearly defined, nor are formulae and methods adequately prescribed, and statistical and supervisory controls are not adequate to the needs of centralized control of such widely decentralized authority. In Secondary Items, areas of overlapping authority for stock replenishment exist between depot commanders, key depots and stock control points, and procurement responsibilities are irregularly divided between depot commanders, stock control points and district offices. Recommend that the management audit team now surveying the Ordnance Corps devote particular attention to the development of concrete suggestions for strengthening the organization structure of the Ordnance Corps.

234. In all Technical Services surveyed there were indications that the determinations of procurement actions were not always controlled by specific formulae. Determinations as to what quantity to buy, for what delivery date and to what destinations, are being made hundreds of times daily, and the soundness of the logistical programs is dependent upon the aggregate soundness of the judgment used in these individual determinations. Frequent changes in broad strategic plans, and the ever-shifting balances between supply and current demand affect all of the complex machinery of procurement and distribution. The precise formulae for the uniformly sound accomplishment of the logistical programs should be carefully prescribed, and their applications consistently supervised. A step in this direction has been taken by the Harvard Group's preliminary survey of Major Item policies and practices. The importance of continuing attention to these matters was emphasized in a statement by the President at a meeting on the Defense Production Program, 27 April 1951. Recommend that experienced merchandise men participate in the continued analyses of this problem area.

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